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UNITED STATES DEPARTMENT OF AGRICULTURE

PROGRAM

34<sup>th</sup> ANNUAL NATIONAL

AGRICULTURAL  
OUTLOOK

CONFERENCE

*Program 1*

*34<sup>th</sup> Annual National*

November 26-29, 1956  
Washington 25, D. C.

Agricultural Marketing Service  
Agricultural Research Service  
Commodity Stabilization Service  
Foreign Agricultural Service  
Forest Service  
and  
Federal Extension Service Cooperating

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CATALOGING - PREP.

November 26-29, 1956

MONDAY (November 26) MORNING

(Thomas Jefferson Auditorium - South Building)

C. M. Ferguson, Administrator  
Federal Extension Service, Chairman

9:00	Registration	
9:30	Opening of Conference	✓ C. M. Ferguson, FES
9:45	World Outlook	✓ Clarence B. Randall Special Consultant to the President <i>P.R. + address</i>
10:15	Discussion	
10:30	Intermission	
10:45	Problems of Economic Policy	✓ Herbert Stein Acting Director of Research Committee for Economic Development <i>P.R. + address</i>
11:15	Discussion	
11:30	General Economic Outlook for 1957	✓ Nathan M. Koffsky, Chief Farm Income Branch, AMS
12:00	Discussion	
12:30	Lunch	

MONDAY (November 26) AFTERNOON

(Thomas Jefferson Auditorium - South Building)

Bushrod W. Allin, Chairman of  
Outlook and Situation Board, AMS, Chairman

2:00	Outlook for Agricultural Exports and Foreign Demand	✓ Clayton E. Whipple Deputy Administrator, FAS
2:40	Discussion	
2:55	Family Living Outlook	✓ Gertrude S. Weiss, Chief Household Economics Research Branch, ARS
3:25	Discussion	
3:40	Intermission	
3:50	Agricultural Outlook for 1957	✓ Fred V. Waugh, Director Agricultural Economics Division, AMS
4:20	Discussion	
5:00	Adjournment	

TUESDAY (November 27) MORNING

(Thomas Jefferson Auditorium - South Building)

Longer-Term Outlook

Omer W. Herrmann, Deputy Administrator  
Marketing Research and Statistics, AMS, Chairman

- 9:15 Trends in Consumer Demand ✓ James P. Cavin, Chief  
Statistical and Historical  
Research Branch, AMS
- 9:45 Trends in Production, Costs, ✓ Carl P. Heisig, Chief  
and Technology Production Economics Research  
Branch, ARS
- 10:15 Trends in Marketing Costs ✓ Kenneth E. Ogren, Head  
and Practices Marketing Information and  
Statistical Section, AMS
- 10:45 Discussion
- 11:00 Agriculture and Economic Growth ✓ O. V. Wells, Administrator  
Agricultural Marketing Service  
(Release)
- 11:30 Discussion
- 12:15 Lunch

TUESDAY (November 27) AFTERNOON

Commodity Outlook Sessions for Producers, Handlers, and Consumers

- 1:30 - 4:15\* Feed, Livestock and Meat - Thomas Jefferson Auditorium  
J. B. Claar, FES, Chairman  
Outlook Statement: Harold F. Breimyer, AMS ✓  
Malcolm Clough, AMS ✓
- 4:20 - 5:20 Grass and Legume Seeds - Room 331 W. Administration Building  
T. E. Hall, FES, Chairman  
William H. Youngman, FAS, Outlook Statement ✓
- 4:20 - 5:20 Forest Products - Room 3106 South Building  
M. M. Bryan, FS, Chairman  
○ Horace R. Josephson, FS, Outlook Statement
- 4:20 - 5:20 Peanuts - Room 3115 South Building  
W. E. Jones, CSS, Chairman  
George W. Kromer, AMS, Outlook Statement ✓
- 5:20 Adjournment
- 5:30 State Specialists Dinner - 4th Wing Cafeteria  
South Building
- Issued as "The Demand  
and Price Situation for  
Four Products"*

\* Sessions formally end at this time but conference room will be free for  
those who wish to continue the discussion.

TUESDAY (November 27) AFTERNOON

(Freer Art Gallery Auditorium -  
Entrance on Independence Avenue)

Family Living Sessions

1:30 - 4:30 Outlook for Consumer Goods  
Starley M. Hunter, FES, Chairman

Durable Goods

✓ L. Jay Atkinson  
Office of Business Economics  
Department of Commerce

Clothing and Textiles

✓ Harry Kahan  
Bureau of Labor Statistics  
Department of Labor

Food

✓ Harry Sherr  
Agricultural Economics  
Division, AMS

Trends in Farm Family  
Food Practices

✓ Mollie Orshansky  
Household Economics Research  
Branch, ARS

4:30 Adjournment

5:30 State Specialists Dinner - 4th Wing Cafeteria  
South Building

WEDNESDAY (November 28) MORNING

(Freer Art Gallery Auditorium)

Family Living Sessions

9:30 - 12:30 Consumer Credit  
Gertrude S. Weiss, ARS, Chairman

Trends in Consumer Credit

✓ Margaret L. Brew  
Household Economics  
Research Branch, ARS

Who Uses Consumer Credit?

✓ Emma G. Holmes  
Household Economics Research  
Branch, ARS

The Cost of Installment  
Credit to the Consumer

✓ Robert Johnson  
Assoc. Professor of Finance  
University of Buffalo

○ Panel: Impact of Consumer Credit on  
the Economy and the Family

Nathan Bailey Dean, School of Business Administration  
American University

Allan Fisher Director of Legal Aid Bureau of  
District of Columbia

Robert Johnson Assoc. Professor of Finance  
University of Buffalo

Loughlin F. McHugh Office of Business Economics  
Department of Commerce

Dorothy Thomas Director of Case Work Services, Family  
and Child Services of Washington, D.C.

12:30 Lunch

WEDNESDAY (November 28) AFTERNOON

(Freer Art Gallery Auditorium)

Family Living Sessions

2:00 - 3:30 Economic Principles of Outlook  
Frances Scudder, FES, Chairman

Implications of Outlook for  
Family Living

✓ Starley M. Hunter  
Division of Home Economics  
Programs, FES

○ Panel: Methods of Using Outlook

Susan Christian Florida State University  
Patricia Middleton University of Delaware  
Mabel Spray Ohio State University  
Lila Dickerson State College of Washington

4:00 - 6:00 Housing Supplies - National Housing Center, 1625 L St., N.W.

Commodity Outlook Sessions for Producers, Handlers, and Consumers

- 9:15 - 11:00\* Dairy - Thomas Jefferson Auditorium  
Max K. Hinds, FES, Chairman  
✓ Herbert C. Kriesel, AMS, Outlook Statement
- 11:05 - 12:30\* Fats and Oils (Special Emphasis on Soybeans) - Room 3106 South Building  
Karl G. Shoemaker, FES, Chairman  
✓ George W. Kromer, AMS, Outlook Statement
- 11:05 - 12:30\* Fruits and Tree Nuts - Room 218 Administration Building  
Lloyd H. Davis, FES, Chairman  
✓ Ben H. Pubols, AMS, Outlook Statement
- 11:05 - 12:30\* Rice - Room 5860 South Building  
J. A. Satterfield, CSS, Chairman  
✓ Robert E. Post, AMS, Outlook Statement
- 12:30 Lunch

WEDNESDAY (November 28) AFTERNOON

Commodity Outlook Sessions for Producers, Handlers, and Consumers

- 2:00 - 3:30\* Poultry - Thomas Jefferson Auditorium  
Homer S. Porteus, FES, Chairman  
✓ Edward Karpoff, AMS, Outlook Statement
- 3:35 - 5:15 Vegetables & Potatoes - Room 218 Administration Building  
R. L. Childress, FES, Chairman  
✓ Will M. Simmons, AMS, Outlook Statement
- 3:35 - 4:45 Sugar - Room 4966 South Building  
○ Lawrence Myers, CSS, Chairman — [not published]
- 5:15 Adjournment

\* Sessions formally end at this time but conference room will be free for those who wish to continue the discussion.

THURSDAY (November 29) MORNING

Commodity Outlook Sessions for Producers, Handlers, and Consumers

- 9:15 - 12:30\* A Resume of the Outlook for - Thomas Jefferson Auditorium  
Producers, and the Outlook for Consumers  
(By commodities and a discussion of the use of  
consumption data in consumer marketing programs)  
Sharon Q. Hoobler, FES, Chairman  
Outlook Statement: Harold F. Breimyer, AMS  
Edward Karpoff, AMS  
Herbert C. Kriesel, AMS  
Will M. Simmons, AMS  
Ben H. Pubols, AMS  
Malcolm Clough, AMS  
Frank Lowenstein, AMS  
✓ Marguerite C. Burk, AMS
- 9:15 - 11:00\* Wheat - Room 3106 South Building  
T. E. Hall, FES, Chairman  
✓ Robert E. Post, AMS, Outlook Statement
- 9:15 - 11:00\* Tobacco - Room 331 W. Administration Building  
✓ S. E. Wrather, AMS, Chairman  
✓ Arthur G. Conover, AMS, Outlook Statement
- 11:05 - 12:30\* Cotton - Room 509 Administration Building  
E. P. Callahan, FES, Chairman  
✓ Frank Lowenstein, AMS, Outlook Statement
- 12:30 Lunch

\* Sessions formally end at this time but conference room will be free for those who wish to continue the discussion.

THURSDAY (November 29) AFTERNOON

(Thomas Jefferson Auditorium - South Building)

Francis A. Kutish, Iowa State College, Chairman

1:45 - 2:00 A World Outlook Service

Dr. Henry C. Taylor ✓  
Former Chief of BAE, USDA

2:00 - Panel: The General Economic Situation

State Department

John W. Evans, Deputy Director  
Office of Intelligence Research

Labor Department

Arynness J. Wickens  
Deputy Commissioner  
Board of Labor Statistics

Agriculture Department

O. V. Wells, Administrator, AMS

Sherman Johnson, Director  
Farm and Land Management  
Research, ARS

Federal Reserve System

Woodlief Thomas  
Economic Advisor

4:00 Outlook's Challenge

P. V. Kepner  
Deputy Administrator, FES

4:30 Adjournment

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

THE AGRICULTURAL OUTLOOK

Talk by Frederick V. Waugh, Director  
Agricultural Economics Division  
at the 34th Annual Agricultural Outlook Conference  
Washington, D. C. November 26, 1956

Net realized farm income should be a little higher next year than it is this year. While it is always difficult to forecast the amount of change in net income, our best estimate now is a rise of about 5 percent. We expect a further slight increase in the average level of farm-product prices. But we also expect a further rise, again a small one, in prices paid by farmers, and some further rise in marketing costs.

In the first nine months of 1956, net realized farm income was about 4 percent higher than in the same months of 1955. For the full calendar year, the gain in farm income will be due mainly to increased marketings, and to new Government programs, including payments under the Soil Bank and the wool program. Since mid-year, prices of farm products have averaged about 2 to 3 percent above those of a year earlier. On the other hand, prices paid by farmers are also up about 2 to 3 percent. The parity ratio in recent months has stood at 82, just equal to that of a year ago.

Even though the increase in net realized farm income has been small, it is noteworthy because it marks the first improvement since 1951. This does not mean that the farmer's troubles are over, or that he can expect steadily rising prices for his products. To understand the outlook for 1957 and future years, we must consider the forces that caused farm income to drop 23 percent from the high level of 1951 through 1955, and then to rise slightly this year. And we must consider what is likely to happen to these forces in the next year or so.

We may conveniently group these forces under four headings: Supply, demand, marketing costs, and Government programs. Let us review recent and prospective developments under each of these headings.

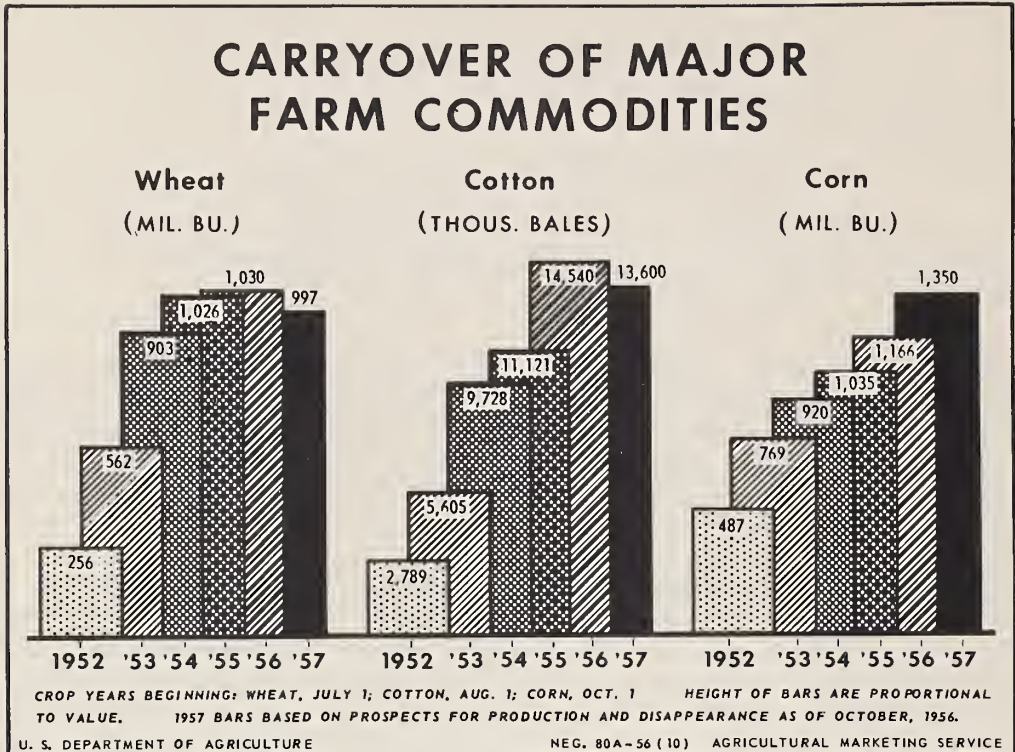


Figure 1

#### Supply

Continued large supplies were a major cause of the drop in farm income from 1951 through 1955. The slight improvement in income this year occurred in spite of continued high output and high carryovers.

Farm output again reached a record high this year. So did marketings of farm products. So did the carryover stocks of major farm products. Heavy exports will probably reduce carryovers of cotton, wheat, and rice in this crop year. But corn stocks are expected to increase further.

There are indications that we may reach the turning point in agricultural supplies in the 1957-58 crop year, assuming a large and successful Soil Bank. I shall discuss this in more detail later. Our best judgment at present is that marketings of many crops now in surplus may be reduced next year. This, together with a lower level of hog production, may reduce total volume of marketings. This would be the first reduction since 1950. One of the most favorable aspects in the outlook is the possibility that we may make a start in 1957 toward bringing supply in better balance with demand. This is favorable not only for 1957, but for the next several years. It is important that these adjustments be prompt and adequate. Crop yields per acre have risen by about  $1\frac{1}{2}$  percent a year so far in the 1950's. This is equivalent to adding over 5 million acres a year. Further, there may be a tendency for the less productive acres to go into the Soil Bank. But, granting all this, we expect some reduction in total agricultural output next year.

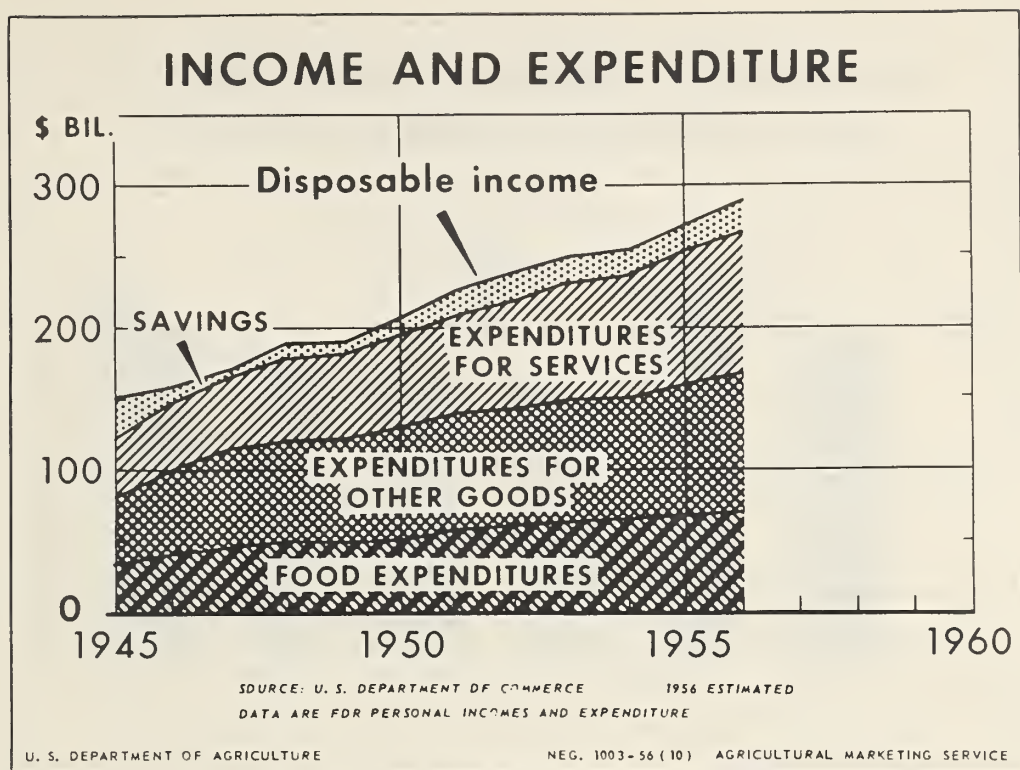


Figure 2

#### Demand

Domestic demand has been strong and rising throughout most of the period since 1951. The number of consumers has steadily risen. During 1956, business activity, employment, and consumer incomes have been very high. And consumers have continued to spend over 1/4 of their disposable income for food.

Some economists have made gloomy forecasts about the future of agriculture, based upon the so-called low "income elasticity" for food. It is true that consumers do not eat a much larger quantity of foods when their incomes rise. But they do spend more money for food. This is because they buy foods of higher quality, they buy more services, and they pay higher prices. The farmer has little interest in such an abstract, technical figure as "the partial elasticity of the quantity of food consumed with respect to income holding price constant." For what it is worth, this elasticity is about one-fourth, meaning that if consumer incomes were raised one percent, and if food prices were held constant, the quantity of food consumed would go up one-fourth of one percent. But the plain statistical fact is that food prices are not held constant when consumer incomes rise. Food prices are pulled up. So are consumer expenditures for food. And the rise in food expenditures tends to be in about the same proportion as the rise in consumer incomes.

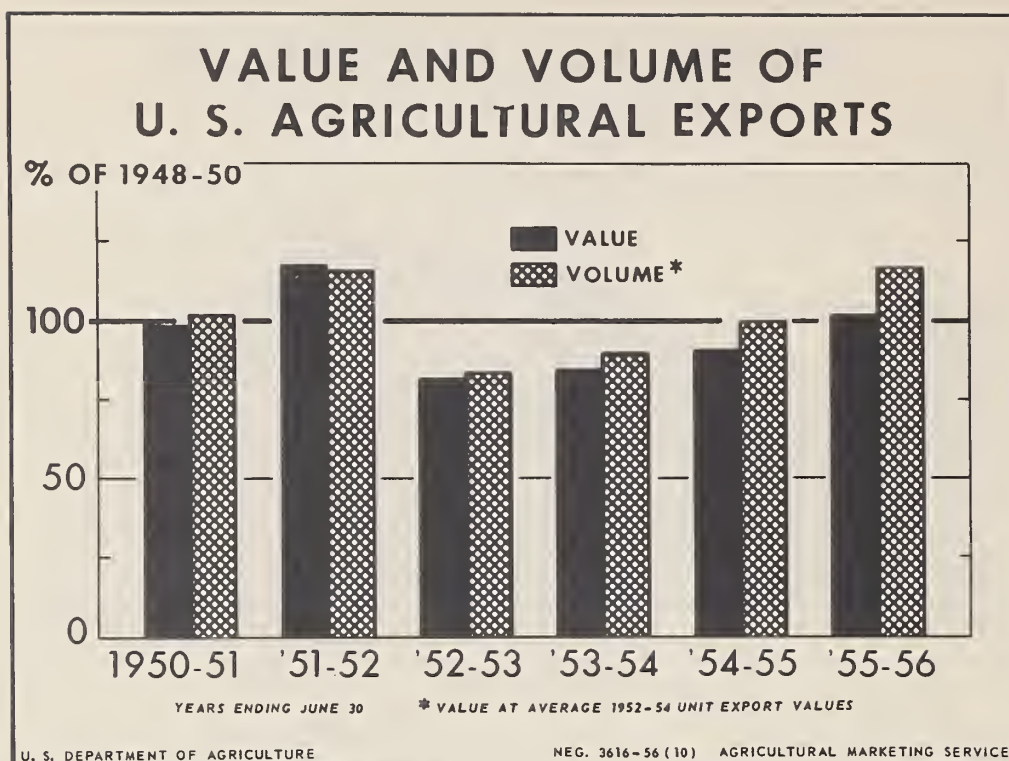


Figure 3

The demand for agricultural exports has been much less steady. It reached a high point in 1951-52, after the Korean outbreak. In the following fiscal year, the value of our agricultural exports dropped about one-third. It then increased gradually in 1953, 1954, and 1955 with the help of Government programs. This year it has risen very substantially partly due to stronger demand and partly due to Government assistance. The value of our 1956 exports may be as big as that in 1951 and the quantity may reach a new postwar high. This increase in exports is an important factor in the present situation.

Looking ahead to 1957, we expect still further improvements in business, in the incomes of domestic consumers, and in the domestic demand for food. Agricultural exports will continue high during the present crop year. But it will be difficult to maintain the present rate of exports for several years. Some countries are now buying some of our farm products for stockpiling.

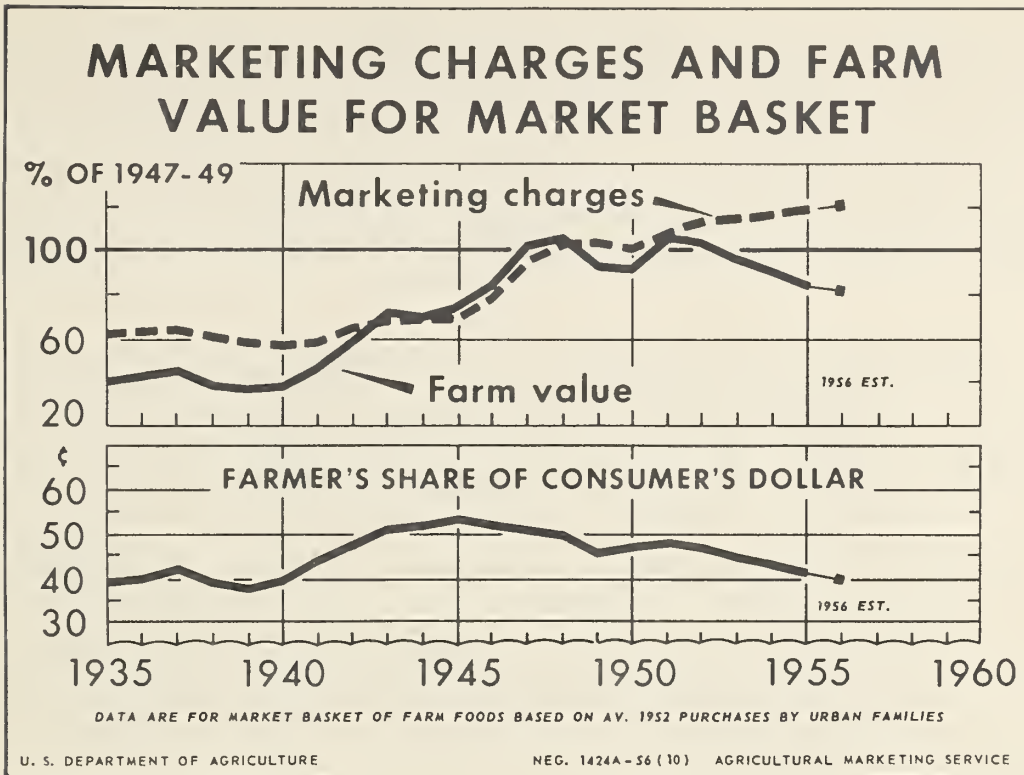


Figure 4

#### Marketing Costs

Higher marketing costs were also a substantial factor in the drop in farm income from 1951 through 1955. Supply and demand factors explain how much the consumer can and will spend for food. The farmer gets what the consumer spends, minus all costs of processing, storing, and selling. The farmer would have certainly done better during the past five years if marketing costs had stayed put. Look at a few figures on food comparing 1955 with 1951.

U. S. consumers spent for domestically-produced food 4 billion dollars more;  
the total marketing bill for this food was 6 billion more;  
so the farmer got 2 billion less.

Of course, the increase in marketing costs was due partly to more marketing services, including more food processing and more meals in restaurants. But this is not the whole story. Consider the so-called "market basket" in

which the same foods are priced at retail. Again, comparing 1955 with 1951, the retail cost of a market basket dropped 51 dollars. The cost of marketing it increased 48 dollars, so the farmer's return went down 99 dollars.

Lower marketing costs do not necessarily mean higher prices of farm commodities; they would in many cases mean lower retail prices, especially when supplies are over-abundant. But lower retail prices would benefit both consumers and farmers--they would move more meat, more poultry, more fruits and vegetables, more milk.

The chart shows index numbers of the farm value of the market basket of foods, and the cost of marketing it, since 1935. The base period probably is not "normal" in the sense that the relationships could be expected to continue. The purpose of the chart is simply to show the divergent trends since 1951. The farm value has dropped, while marketing charges have gone up. This is not explained by changes in services, since the same foods were priced each year.

Marketing costs continued to creep upward in 1956. These costs are made up of wages, the costs of nonagricultural materials and services, and profits. Wages are continuing upward and seem likely to go higher in 1957. The railroads are now asking for another general round of freight rate increases. Probably agricultural marketing costs will show some further rise in 1957. The double cost-price squeeze is still with us--a squeeze in marketing as well as in production.

### Government Programs

The drop in farm incomes from 1951 through 1955 would have been much more severe had it not been for Government programs. The slight improvement this year was due in large measure to stepped up programs of the Government. The Soil Bank is adding a quarter of a billion dollars directly to farm income this year. Net investments of the CCC went up over one-half billion dollars in the year ended September 30, 1956. The actual support to agriculture was more than this, because there has been a very substantial outflow of stocks due to disposal programs.

Government programs were a decisive factor in the slight rise in farm income this year. When we met a year ago we expected a slight drop in farm income. Moreover, I stated, "This leaves out of account any changes in farm programs that may be made in the coming session of the Congress. Such changes could affect the long-term outlook very substantially. But I doubt if they would affect the 1956 outlook very decisively." I was partly wrong. I did not foresee the Soil Bank, which turned out to be a sizeable factor in improving farm income this year.

Looking ahead to 1957, the Soil Bank program will be greatly expanded. Winter wheat farmers have already signed up about  $10\frac{1}{2}$  million acres in the acreage reserve. We expect a substantial sign-up for spring wheat, cotton, and some other basic crops. In addition, the goal calls for about 20 million acres of crop land in the conservation reserve. Altogether, about 40-45 million acres of farm land may go into the Soil Bank next year. This would be about one-ninth of the total acreage planted and grown.

Such a stepped up Soil Bank would affect farm income in three ways: (1) Government payments would be greatly increased, perhaps coming close to the 1.2 billion dollars authorized for the Soil Bank; (2) prices of some farm products would probably be strengthened somewhat by the prospects for reduced output and for smaller surplus stocks; and (3) these two favorable factors would be offset in part by reduced marketings. Production expenses may not be much different, with the effects of higher unit cost rates being about offset by smaller acreages. On balance, it seems clear that the Soil Bank will be a favorable factor in 1957 and will tend to increase net farm income. It could be an even more favorable factor in 1958-60, assuming that our experience with the Soil Bank next year demonstrates that it can be reasonably effective in bringing supplies more nearly in balance with demand.

I shall not try this year to predict actions that might be taken by the Congress nor the effect of such possible actions upon farm income. As far as we see now, there are not likely to be any major changes in Government farm programs in 1957. The loan rates for most crops have not yet been announced, but the general nature of the program for the coming year seems to be pretty well set.

Within the next few years, however, it may be that substantial changes will be made in policies and programs. The Congress has requested several studies intended to throw light upon some of the basic problems connected with these programs. Among the studies of most interest to agricultural economists are the following:

Possible methods of improving the parity formula

Various methods of supporting the price of cotton

Food stamp plans

Programs for the disposition of commodities

Industrial utilization of farm products

Most of these studies are now being completed. Several reports will be made to the Congress within the next two months. These reports will be confidential unless and until they are released by the Congress. The main purpose of these reports is to provide information and analyses that will help the Congress to determine what changes are needed to improve farm programs.

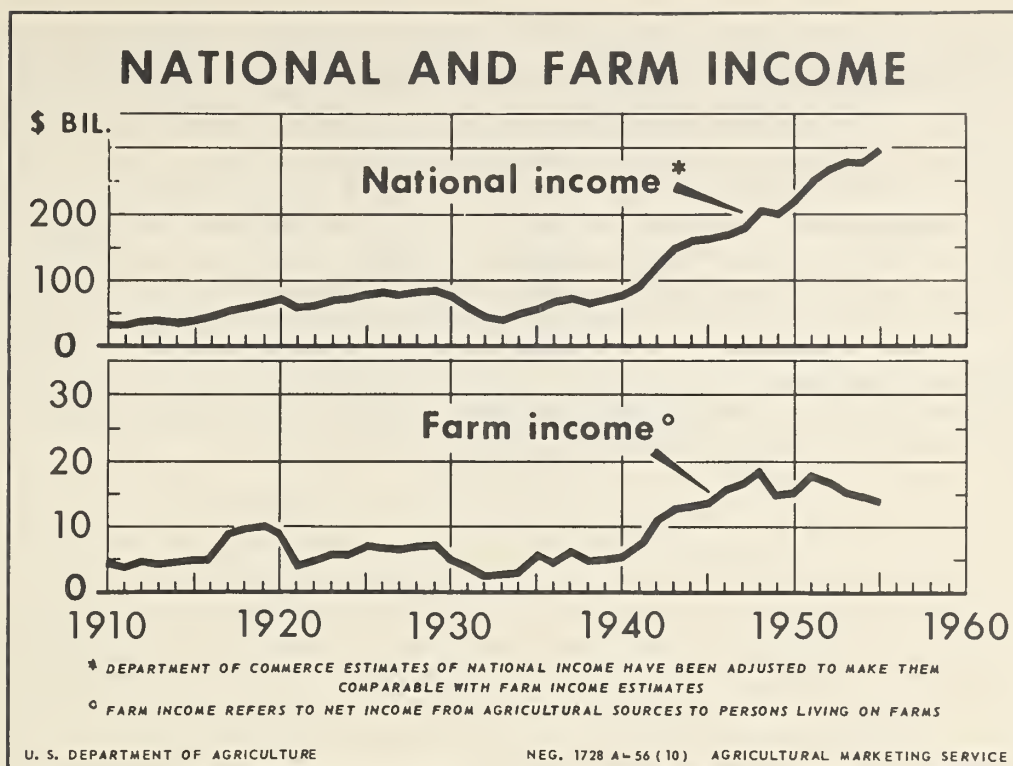


Figure 5

### Farm Income and National Income

A great deal of the discussion at and following last year's Outlook Conference centered around a chart showing what had happened to farm income and national income in the period 1910 through 1954. Through most of this period there had been a very high correlation between changes in farm income and changes in national income. But the striking fact about the chart was that farm income had fallen sharply from 1951 through 1954, while national income had reached high record levels.

The following chart shows essentially the same material I covered last year. The main differences are, first, that we have added the year 1955, and, second, farm income and national income are shown on two separate grids. This is to avoid any implication that the chart in itself shows what would be "the farmer's fair share of the national income." I don't know what the farmer's fair share is. It is doubtless less than in 1910 or in 1930. This is because the number of persons in agriculture has declined rapidly.

Obviously, the drop in farm income since 1951 has not been severe enough nor prolonged enough to interfere seriously with prosperity in the rest of the economy. Nevertheless, it has had a substantial effect on some industries serving agriculture. Many farm purchases have been financed by increasing debt. Between 1951 and 1955, farm debt increased steadily. It increased by over one billion dollars in the past year. This has softened the impact of the decline in farm income upon the industrial economy.

From the end of World War II until 1951 there was a sharp upward trend in expenditures for farm machinery. They reached a peak of 2.3 billion dollars in 1951. They then declined to 1.8 billion dollars in 1955. Our estimates for 1956 indicate a further substantial drop. There has been no marked change in expenditures for fertilizer in recent years. But the sharp upturn in fertilizer expenditures since the 1930's was interrupted and there has been a slight drop in the past two years. In a few months, we will know more about how farmers spend their money. We will then have the results of a survey of farmers' expenditures, made cooperatively with the Bureau of the Census. This survey covered production expenses on more than 6,000 farms, and family living expenses on over 4,000. While the first results have not been completely checked, they indicate that production expenses take more of the farmer's dollar than before the war. This reflects increasing reliance of agriculture on industrial goods.

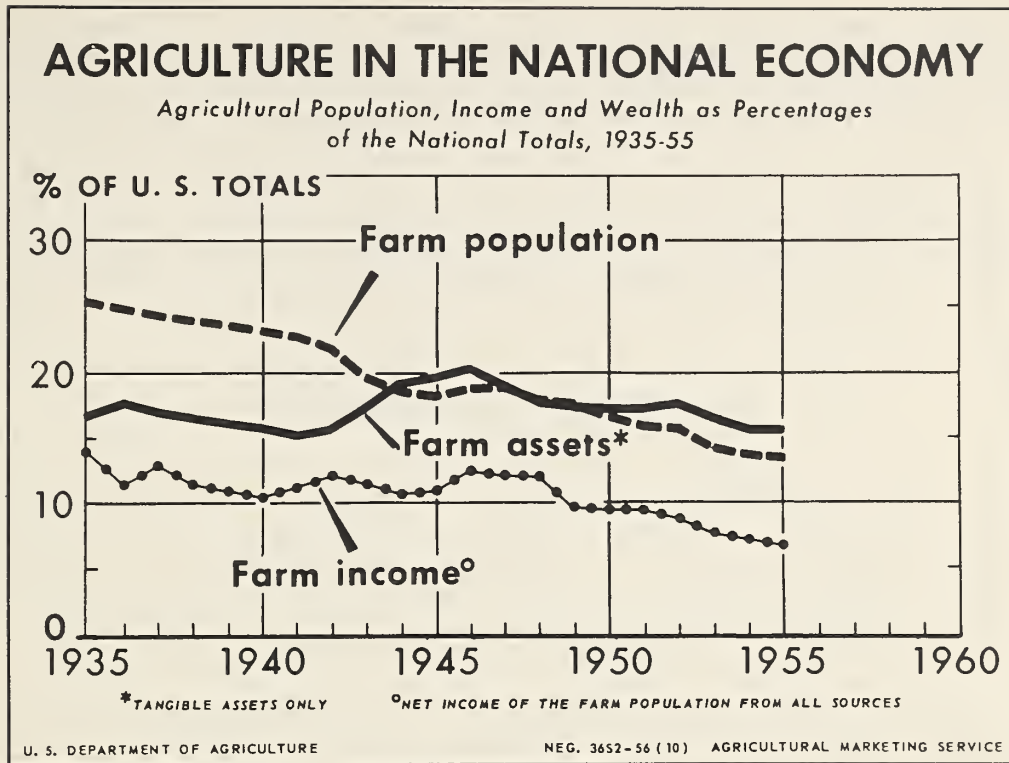


Figure 6

The relation of farm income to national income is so important that we are presenting this year an additional chart on the subject. This chart shows trends in the percentage of national income going to farm people from all sources, the farm population to the total population, and the percentage of tangible farm assets to the total. This chart is similar to one shown by Professor John D. Black in his presidential address to the American Economic Association in December 1955. Note that the percentage of national income going to the farmer is consistently below the percentage of persons engaged in agriculture. This indicates simply that per capita incomes of farm people are less than the per capita incomes of non-farm people. Note also that both percentages have been dropping for several years. They probably will drop still further in the future, while the manufacturing and distributing industries continue to increase. Note also that the percentage of assets in agriculture are larger than the percentage of persons in agriculture. Also, there has been no definite trend since 1940 to the percentage of assets in agriculture.

In other words, while the percentage of persons in agriculture has been declining, the proportion of national wealth or assets in agriculture has remained about the same. This is because the current value of farm land, buildings, and machinery has increased very substantially.

Money income alone does not fully measure whether or not farm people participate in economic growth and in rising levels of living. Despite the fact that realized net income per farm declined an average of 15 percent from 1951 to 1955 and that per capita incomes in agriculture from all sources dropped a tenth, our level of living index for farm-operator families shows continued improvement of some 15 percent during that period. The improvement in farm income this year enhances the opportunities of farm people to participate further in rising levels of living. Over the long run, trends in the income of farm and nonfarm people should not diverge widely as they did in recent years if farmers are to share reasonably in the fruits of economic growth.

### The 1957 Farm Commodity Outlook

The outlook for hogs in 1957 is fairly good. This is based largely on the reduction in supply which is already in progress. The 1956 spring pig crop was down 8 percent from the previous year and intentions this past June were to reduce fall farrowings by 7 percent. Hog slaughter has declined and it will be considerably smaller in 1957 than in 1956, at least in the first 6 to 8 months. The downtrend in production may come to a halt in 1957. Hog prices and the income of hog producers will average higher next year.

Cattle production continues stable. Slaughter next year will likely be much the same as this year. But lighter weights will reduce beef output. Prices may average a little higher than this year.

Milk output next year probably will be up a little from this year. Price ratios are favorable and the rising trend in output per cow probably will continue. If price supports for the 1957-58 season, beginning next April, are not much different than this season, dairy income will be higher.

Production of poultry and eggs has been very large this year and prices lower. Production in 1957 is expected to be at least as high again. Consequently, no significant improvement in prices is expected.

This year our exports of wheat will be substantially over 400 million bushels, at least 70 million bushels more than last season. This will reduce our carryover of wheat for the first time since 1952. If about 13 million acres of wheat are placed in the Soil Bank and average yields are realized, a more substantial reduction in carryover is in prospect during 1957-58.

We will increase our carryover of corn by about one-quarter billion bushels this season, as a result of a near record production. Price supports for the 1957 corn crop recently announced are lower than for the current crop.

A sharp rise in exports is expected to reduce the cotton carryover during the current season. This would be the first reduction in cotton carryover since the Korean outbreak. Part of the heavy shipments reflect replenishing of stocks abroad. Export prices are lower this year. The Soil Bank should contribute to smaller production and further reductions in stocks in the 1957-58 season.

More cigarettes probably will be manufactured this year, but the amount of tobacco used is not likely to increase. Manufacturers are apparently getting more cigarettes per pound of leaf than formerly. The situation is similar for cigars. Exports of tobacco this year are expected to be somewhat less than last year's high level.

The supply of food fats and oils is about the same this season as last. Soybean production is up to a record, but lard and butter are down. Exports of fats and oils are expected to be close to last year's record.

These commodity outlooks add up to higher cash receipts from most livestock products, and somewhat lower cash receipts for crops next year. But the drop in receipts for crops will be offset, in large measure at least, by Soil Bank payments.

In considering the outlook for 1957 we have made three main assumptions:

- (1) that the Soil Bank program will be large and reasonably successful;
- (2) that the high level of business activity will continue, reaching higher levels in 1957 than in 1956; and
- (3) that the present unsettled world conditions will not deteriorate further.

None of these assumptions is wholly safe. If one or more of them should turn out to be wrong, the outlook could be affected considerably. Perhaps the assumption concerning the precarious international situation is the most critical. If the international situation should worsen, our estimate of the economic situation would change. It might require reappraisal of the necessity for the Soil Bank. We might even view our present heavy stocks in a different light. Farmers might gain temporarily from another spurt of inflation. But we should not forget that the substantial rise in prices of farm products that occurred following the Korean outbreak was soon washed out, while the inflation of farm and marketing costs has stuck with us. In the long run, the farmer's interest is in world peace, and in steady economic growth and prosperity at home.







UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service  
Household Economics Research Branch

CONSUMER DURABLE GOODS

Talk by L. Jay Atkinson, Assistant Chief of the Current Business Analysis Division, Office of Business Economics, U. S. Department of Commerce, at the 34th Annual Agricultural Outlook Conference, Washington, D. C., Tuesday, November 27, 1956

Consumer purchases of durable goods have declined in 1956, following an unusually rapid advance last year. The reduction this year has occurred in automobile sales, which were considerably below last year during the first 3 quarters. Household goods buying has been slightly higher in 1956 than in 1955. The margin over a year earlier has been considerably smaller, however, than in 1955 when sales rose a full 10 percent from 1954. Since disposable income has shown a larger relative advance during 1956, the portion of income spent for household goods has edged downward.

On a seasonally adjusted basis, purchases of household durables were up during the first half of 1956, but declined in the third quarter. Production has held steady, so that the recent letup in consumer buying has been accompanied by some buildup in stocks by manufacturers and distributors.

It should be emphasized that these generalizations cover a broad group of products with varying seasonal patterns, secular trends, and distribution channels, so that the diversity in individual product performance is quite great. This is reflected in production or manufacturers' shipments statistics, which are available for a number of major products and groups of related products. Increases in production in 1956 as compared with 1955 have taken place for washing machines, clothes dryers, and vacuum cleaners, whereas output has declined for refrigerators, freezers, and ranges.

Television output reached a low in the spring months but has since recovered considerably. Production through October 1956 was 7 percent below last year for the same period. There has been a pronounced increase in the output of the smaller type picture screens under 16", the latter accounting for nearly 15 percent of total television output as compared with 3 percent in 1955. Production of color television receivers is estimated at several times the 1955 volume of around 20,000 units.

With the benefit of volume production of the rapidly growing transistor portable type radio, the number of radios for home and personal use turned out in the first 10 months of 1956 was substantially in excess of the year ago volume. On the other hand, production of radios for installations in passenger cars was cut sharply in line with the reduced requirements of the auto industry.

Aside from the general influence of consumer income which is a broadly controlling factor for all types of consumer buying, the number of new houses purchased is perhaps the most important special influence affecting consumer buying of furniture and household equipment. During 1956, the number of new housing starts is estimated to be about 1.1 million units, as compared with 1.3 million units in 1955. The rate of housing starts has in recent months fluctuated around 1 million annually on a seasonally adjusted basis. The joint projection of the Departments of Commerce and Labor for 1957 is for a continuation of roughly the present rate. Thus, the gradual downward adjustment in the number of new houses started during the past year and a half has had a general restraining influence upon household equipment buying during this period. The tendency to use more equipment for each home, however, has been especially marked because of the increased shift toward larger housing units.

In the past year competition for the household durable goods market has intensified. This is a process that has been going on for a number of years both at the manufacturers' and the trade level. The net effect over a period of years has been a gradual paring of prices at the varied types of institutions from which consumers purchase these goods together with some improvement in product performance and a vast array of matching and contrasting colors of what used to be called "white goods."

During the past several months, however, the decline in prices of household equipment has been interrupted. Somewhat higher prices have been posted, especially for those products for which steel represents a substantial portion of final cost.

One of the significant trends in major household appliance merchandising is a more aggressive sales policy by department stores. During the past 2 years substantial changes have been made in pricing policy, services offered, and credit terms. Reduced prices have sometimes been accompanied by reduced services, and a trend is developing of offering consumers a choice between full servicing or limited servicing, with the appropriate price differential. These changes were accompanied by impressive sales performance by major appliance departments in department stores last year, and the gains have been held during 1956.

Many department stores have taken steps to meet discount house competition. These include lower prices and reduced service. At the same time, department stores are featuring liberal installment credit for the very substantial part of their trade for which such service is important. The liberalization in credit terms was very pronounced last year, and deferred payment, "budget plans" and revolving credit plans have been continued this year. Finally, the trend toward the establishment of branch stores in suburban shopping areas has remained strong and serves to strengthen the competitive position of the stores which are expanding. As in the downtown area, however, the department store often faces discount store competition in the suburbs as well, for they are joining the trek to outlying areas.

Some developments in the general field of services are of special interest to consumers. Although the limitation of services offered by certain types of stores reflects both price competition and the clear trend toward "do it yourself," not all the developments are in this direction. Some of the limited service stores are providing credit financing for the "big ticket" items, usually by arrangement with institutions specializing in installment financing. Limited service guarantees are also being offered in cooperation with wholesale distributors and manufacturers' service organizations. Some manufacturers have increased their service organizations and extended the number of service outlets available to consumers for their line of products. Finally special service organizations have arisen which are designated as "official" or "authorized" repair and parts centers for a number of manufacturers' brand lines. Thus, the increasingly mechanized homes are requiring and obtaining more and more servicing. Our estimates of consumer expenditures for household equipment and services repair show a marked upward trend.

Finally, a word about new and improved products. Electronic ovens are being installed in limited numbers in new homes. /Their specifications indicate (1) that they will bake a turkey in 30 minutes and a potato in 4 minutes, (2) that they are timed so that food won't burn or overcook, and (3) that food may be cooked in paper containers or in serving dishes which will not get hot from the cooking process./ They have many advantages over the ordinary ovens. New refrigerators don't just sit out in kitchens but hang on walls as cabinets or are built in. A new stainless steel sink bowl is on the market which has the drain in a back corner instead of in the middle so that a food disposer unit is at the back of the cabinet below instead of occupying the middle of the space. A sound proofed electric dishwasher which works quietly is on the market.

Thus, the consumer durable goods field continues to grow and to develop. New and improved products accomplish household chores more quickly and with less muscular effort, but the selection, purchase, and use of these products requires increasingly technical information and guidance. The broad trend in demand continues strong, supplies are adequate, and prices are firm.

Index of Consumer Durable Goods Output  
(1947-49=100)

Year	Combined index	Major consumer durables							Other consumer durables	Major appliances
		Total	Autos	Major household goods			Radios and TVs			
				Total	Furniture and floor coverings	Appliances and heaters				
1950.....	133	149	159	143	120	132	243	95	137	
1951.....	114	122	127	118	104	112	178	96	115	
1952.....	105	109	103	115	109	99	184	95	100	
1953.....	127	138	146	132	113	118	230	102	123	
1954.....	116	125	131	122	101	111	214	95	115	
1955.....	147	164	190	144	116	138	242	106	142	
1955:										
I.....	140	159	189	134	108	129	224	99	132	
II.....	145	162	185	144	113	143	239	103	149	
III.....	151	169	191	154	120	145	250	108	152	
IV.....	151	166	192	145	121	138	237	114	147	
1956:										
I.....	138	149	159	143	119	149	196	111	153	
II.....	127	134	127	142	116	143	215	110	149	
III.....	128	135	122	149	121	148	232	112	156	
Oct.....	128	134	118	--	--	--	--	115	--	

NOTE.--Quarterly and monthly data seasonally adjusted.

Source: Board of Governors of the Federal Reserve System.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service  
Household Economics Research Branch

THE COST OF CONSUMER CREDIT

Talk by Robert W. Johnson, Associate Professor of Finance,  
School of Business Administration, University of Buffalo,  
at the 34th Annual Agricultural Outlook Conference, Wash-  
ington 25, D. C., Wednesday, November 28, 1956

Variations in the price and quality of consumer credit services present many complexities that make it difficult for consumers to shop effectively in this area. There are three basic problems that are faced by the consumer when he enters the market for installment credit. First, because consumer credit is not a uniform, standardized service, consumers find it difficult to know what they are buying. Second, consumers find it difficult to determine the cost of what they are buying. Third, the consumer is often insensitive to the financing cost, either because it makes little difference in his monthly payments, or because he is unaware of alternative sources of financing.

Approaches to Protecting Consumers from Excessive Charges

There are two basic approaches to the problem of protecting consumers from excessive charges. One approach is to set maximum limits by law; the other is to urge or require lenders to disclose to the consumer all essential facts concerning the credit transaction. It is argued that this makes it possible for the consumer to "shop" for his credit, and that the competition brought about by this process will drive finance charges to reasonable levels. Whether rates are regulated or not, the consumer should learn to "buy" consumer credit as effectively as he buys commodities or other services.

Non-standard Service

One of the advances made in other fields on behalf of the consumer has been to set up market grades of such items as butter and meat, so that the consumer is able to compare price and grade. However, personal loans or sales credit are seldom as uniform as 90 score butter or premium beef. On personal loans many lenders provide insurance on the life of the borrower to repay the loan should the borrower die, and either cover the cost of such credit life insurance as part of the finance charge or make an additional charge for the insurance. Some lenders add health and accident insurance.

The consumer is usually faced with a particularly complex finance package when he buys an automobile or other consumer durable good on installment. Down payments and maturities vary considerably. Frequently the package includes insurance against accident, fire, and theft. Credit life insurance is common. Sometimes the package includes other types of insurance--personal accident, health, hospital and ambulance, towing and service, and bail bond coverage. Consequently, the consumer needs to make some effort to determine just what he is buying and to separate the cost of insurance and sundry items from the cost of the credit.

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# Problems of Calculating Cost

Whereas the consumer is usually quite clear that he has paid 18 cents for a loaf of bread or 80 cents for a pound of butter, he is frequently unaware of the rate he has paid to obtain a small loan or to purchase a car on installment. For example, a recent survey of 311 families in Champaign-Urbana, Illinois disclosed that about two-thirds of the users of installment credit did not know the amount of the finance charge or finance rate on their most recent installment purchase. <sup>1/</sup> Consumers must be able to figure the cost of credit if they are to use it wisely.

Methods of stating charges.--The three methods commonly used to state the finance charge are add on, discount, and interest on the unpaid balance. The add-on method is frequently used in the installment sale of automobiles and other consumer durables. Under this method the finance charge is computed on the amount advanced and added to the amount advanced to determine the amount of the note. For example, if the unpaid balance on a piece of furniture were \$100 for one year and the add-on rate were 10 percent, the total note would be \$110 and the monthly payment about \$9.17.

The discount method is used on F.H.A. repair and modernization loans and on some personal loans. Under this method the finance rate is applied to the face amount of the note and the dollar finance charge is deducted from the amount of the note to determine the amount received by the borrower. For example, if a note were written for \$100 for one year at a discount rate of 10 percent, the borrower would receive \$90 and his payments would be \$8.33 per month.

This may be summarized as follows:

<u>Method</u>	<u>Rate</u>		<u>Proceeds to Borrower</u>	<u>Dollar Finance Charge</u>	<u>Amount of Note</u>
Add-on	10%	x	\$100.00	\$10	\$110.00
			<u>Amount of Note</u>		<u>Proceeds to Borrower</u>
Discount	10%	x	\$100.00	\$10	\$90.00

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<sup>1/</sup> Jean M. Due, "Consumer Knowledge of Installment Credit Charges," Journal of Marketing, XXX (October, 1955), p. 164.

If the borrower wishes to receive \$100, the transaction under the add-on or discount method would be as shown in the table below:

<u>Method</u>	<u>Rate</u>		<u>Proceeds to Borrower</u>	<u>Dollar Finance Charge</u>	<u>Amount of Note</u>
Add-on	10%	x	\$100.00	\$10	\$110.00
			<u>Amount of Note</u>		<u>Proceeds to Borrowers</u>
Discount	10%	x	\$111.11	= \$11.11	\$100.00

The interest on the unpaid balance method is typically used by consumer finance companies (also known as small loan or personal finance companies) and by credit unions. Under this method the finance charge is computed each month on the unpaid balance or principal, which has been outstanding since the last payment.

Conversion to approximate annual rate.--To compare the rates charged by different lenders, the consumer needs to know three things--the amount of the finance charge (including all service charges or other fees), the amount that he has been advanced, and the period over which he must repay the note. Take first the very simple case where a borrower has been advanced \$100 for a year and repays \$110 in twelve monthly installments. His finance charge is, of course, \$10. However, the borrower does not have the use of \$100 for the full twelve months. As he makes each monthly payment of \$9.17 the consumer has the use of a smaller amount of borrowed funds; that is, his debt declines from \$100 to \$0 over the twelve month period. Consequently, he has an average of about \$50 to use during the period. Since he is paying \$10 to have an average of about \$50 for one year, he is paying an annual finance rate of about 20 percent. If the finance charge is discounted; that is, if he signs a note for \$100 and receives \$90, he is paying \$10 for the use of about \$45 on the average during the year, and his annual finance rate is about 22 percent. It is worthwhile to note that a given discount rate is always more expensive for the consumer than the same rate applied on an add-on basis.

If a consumer borrows from a credit union or consumer finance company, his effective annual rate may be computed by multiplying the monthly rate by twelve. Thus if his monthly rate is 1-1/2 percent, his annual effective rate would be 18 percent. 2/

More accurate method of calculating annual rate.--The method described for converting the finance charge from an add-on or discount rate to an effective annual rate gives only an approximate result that is somewhat too high. To provide a more thorough discussion of rate calculation a section of a typical rate chart used in financing new cars is provided. (Table 1.)

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2/ Some writers argue that the effective annual rate should be computed by a compound interest formula. See Milan V. Ayres, Installment Mathematics Handbook (New York: Ronald Press, 1946), pp. 212-214; 233-235. The simpler procedure is supported by M. R. Neifeld, Neifeld's Guide to Installment Computations (Easton, Pennsylvania: Mack Publishing Co., 1951), pp. 214; 233-235. 373

The chart is based on an add-on rate of 6 percent plus an annual charge of \$17 for package insurance (group life, personal accident insurance, hospital and ambulance insurance in case of accident, and bail bond coverage up to \$5,000).<sup>3/</sup>

Table 1.--Section of Rate Chart Used in Financing New Automobiles

Unpaid balance	24 Months		30 Months	
	Amount per month	Amount of note	Amount per month	Amount of note
\$1800	\$85.59	\$2054.16	\$70.63	\$2118.90
1820	86.52	2076.48	71.40	2142.00
1840	87.46	2099.04	72.17	2165.10
1860	88.39	2121.36	72.93	2187.90
1880	89.32	2143.68	73.70	2211.00

Chart is based on a 6 percent add-on finance charge, applied to the unpaid balance plus \$17 per year for "package" insurance premium.

To illustrate use of the chart and conversion of the finance charge to an annual effective rate, let us assume that an automobile selling for \$2,400 is purchased on time with a down payment of one-third, thus leaving a balance of \$1,600 to be repaid in 24 months. Collision and comprehensive insurance carrying a premium of \$220 for two years is purchased through the automobile dealer. This brings the total unpaid balance to \$1,820. The note signed by the customer would then amount to \$2,076.48 according to the rate chart shown. The difference of \$256.48 between the unpaid balance and the note is made up of a charge of \$34 for package insurance and the finance charge of \$222.48. The three factors necessary to compute the effective annual rate are now available: The amount of the finance charge (\$222.48); the total amount advanced for the automobile, collision and comprehensive insurance, and package insurance (\$1,854); and the maturity of the note (24 months).

There are several methods of computing the "true" interest rate. Though the actuarial method is most widely accepted as the proper rate it involves a compound interest formula and tedious computation. Consequently, two other methods are commonly used which give very nearly correct results. These are

<sup>3/</sup> For example, as shown in Table 1, on a 24 month contract with an unpaid balance of \$1820, the total amount of the note is \$2,076.48. The difference between the unpaid balance and the amount of the note is \$256.48, and is made up of the insurance premium of \$34 (2 x \$17), plus the finance charge of \$222.48 (6% x \$1,854). The total unpaid balance \$1,854 is obtained by adding the cost of "package" insurance (\$34) to the unpaid balance of \$1,820.

the constant ratio and direct ratio methods, <sup>4/</sup> which are illustrated in Table 2. The direct ratio method is the more accurate of the two. It will be observed that the approximate method discussed earlier would yield an effective annual rate of 12 percent, whereas the direct ratio method shows the true rate to be about 11.1 percent.

#### Indifference of Consumer to Financing Cost

Even when the consumer knows the cost of financing, he is frequently insensitive to differences in cost. Although he may spend hours shopping for a refrigerator or an automobile, he often accepts whatever finance charge is offered. Consumers' lack of attention to the finance charge may be attributable chiefly to two factors: (1) Differences in cost change the amount of each monthly payment only slightly; and (2) the consumer is often unaware that differences exist in the finance rates charged by various institutions.

Effect of finance charges on monthly payment.--If a consumer has an unpaid balance of \$2,000 to be financed over 24 months, a 5 percent add-on finance rate would add \$200 to his unpaid balance, so that he would owe \$2,200 and repay that at the rate of \$91.67 per month. Were his finance rate doubled to 10 percent add-on per annum, his contract would be for \$2,400, and his monthly payments would be \$100. Thus a doubling of the finance charge has increased his monthly payments by \$8.33, or by only 9.1 percent. Furthermore, if the maturity of the contract were extended to 30 months, the amount of the note would be \$2,500, but the monthly payments would be only \$83.33. Consequently, the effect on the consumer of changes in the finance rate is relatively small and may be offset by changes in maturities.

Lack of knowledge of rates charged.--If the consumer is to shop wisely for credit, he must be aware of the alternative sources of credit and the rates they typically charge. However, he should also understand that there is a considerable amount of specialization in the business and that, to some extent, the finance rate charged by a particular institution predetermines the level of credit risk, or the quality of credit applicants, it can afford to accept. For example, some sales finance companies specialize in buying high risk installment contracts made with persons of moderate income and perhaps unstable employment, but charge a high enough finance rate to cover their higher costs of collection and loss ratios. Thus a consumer should seek to secure the lowest finance rate available for his credit standing.

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<sup>4/</sup> Differences between methods are based on differences in assumptions concerning the method by which the monthly payments are allocated to principal and interest. For example, on a 12 month contract the constant ratio method assumes that each monthly payment includes 1/12th of the total finance charge. The direct ratio method assumes that the portion of the total finance charge contained in each monthly payment is proportionate to the unpaid balance outstanding at each payment period. Thus the first monthly payment on a 12 month contract includes 12/78th of the total finance charge; the second payment, 11/78th of the total charge, etc.

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TABLE 2

APPROXIMATE ANNUAL FINANCE RATE: DIRECT AND  
CONSTANT RATIO METHODS

Formulas:     $i$  = rate of charge  
                    $m$  = number of payments in one year (=12)  
                    $n$  = number of payments to discharge debt (=24)  
                    $D$  = charge in dollars (\$222.48)  
                    $P$  = principal or cash advance (\$1854.00)

Direct ratio method:

$$\begin{aligned}
 i &= \frac{2mD}{P(n+1) + \frac{1}{3}D(n-1)} \\
 &= \frac{2 \times 12 \times 222.48}{1854 \times 25 + \frac{1}{3} \times 222.48 \times 23} = \frac{5,339.52}{48,055.68} \\
 &= .1111 \text{ or } 11.11 \text{ per cent}
 \end{aligned}$$

Constant ratio method:

$$\begin{aligned}
 i &= \frac{2mD}{P(n+1)} \\
 &= \frac{2 \times 12 \times 222.48}{1854 \times 25} = \frac{5,339.52}{46,350} \\
 &= .1152 \text{ or } 11.52 \text{ per cent}
 \end{aligned}$$

To examine rates charged in the consumer credit field distinction must be made between direct loans and installment purchases. Rates charged on direct loans are adequately regulated in 37 States by special legislation; finance charges on installment purchases are limited in 12 States. Furthermore, an installment sale is ordinarily not viewed legally as a loan of money. Consequently, the difference between the time price and cash price is not considered as interest and, therefore, finance charges on installment sales are usually not subject to general usury laws. 5/

(1) Direct loans. The principal sources of direct loans are consumer finance companies, commercial banks, and credit unions. Rates charged by consumer finance companies are regulated in most States. (See table 3.) The Illinois law is fairly typical. It limits the monthly charge to 3 percent on the first \$150; 2 percent on the amount over \$150 to \$300; and 1 percent on the amount over \$300 to \$500. Thus a person borrowing \$100 would pay 3 percent a month, an effective annual rate of 36 percent; a person borrowing \$500 would pay 1.9 percent per month, an annual rate of 22.8 percent. A fairly typical rate for direct loans by commercial banks is 6 percent discount, or an effective annual cost of about 12 percent. Credit unions are usually limited to one percent per month, or an effective annual rate of 12 percent.

(2) Installment sale transactions. Although rates are far from uniform on direct loans, they are even more diverse on installment sale transactions. As indicated earlier, the "package" of credit, insurance, and other services varies widely, and, in addition, the product financed varies from items selling for \$10 to items selling for several thousand dollars. Consequently, finance charges must be related to the item financed.

Many new cars are financed through the dealer, who then sells the installment note to a bank or sales finance company, or retains the note himself. When automobiles are financed through dealers, the add-on finance rate is most typically 6 or 6-1/2 percent per annum. Individuals who are able to finance purchases of new automobiles directly from banks rather than through dealers may typically pay add-on rates of 5 to 5-1/2 percent per annum. Rates on the installment sale of used cars vary widely. Add-on rates of 8-1/2 percent per annum on late model used cars and 12 percent per annum on older models are probably fairly common. The higher rates charged on used cars is explained in part by the lower unpaid balances on these cars and the greater risk associated with used car contracts. Twelve States limit the finance charges on the installment sale of automobiles. (See table 4.)

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5/ The Arkansas Supreme Court has laid down a caveat that it will consider sales finance transactions as subject to the limitations of the usury laws of the State where the seller has "reasonable assurance" that he can sell the installment paper to a finance company. *Hare v. General Contract Purchase Corp.* (1952) 220 Ark. 601, 249 S.W. (2d) 973. There seems to be an increasing tendency for the courts to question the time price doctrine.

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Table 3

STATUTORY MAXIMUM SMALL LOAN RATES, JULY 15, 1956 1/

Maximum Monthly Charge on Unpaid Principal Balance  
(unless otherwise noted)

Arizona	3 % to \$300; 2% to \$600
California	2½% to \$100; 2% to \$500; 5/6% to \$5000; 2% to \$500 if security insured
Colorado	3% to \$300; 1½% to \$500; 1% to \$1500
Connecticut	3% to \$100; 2% to \$300; ½% to \$500; 12% a year after 20 mos.
Florida	3½% to \$300
Idaho	3% to \$300
Illinois	3% to \$150; 2% to \$300; 1% to \$500
Indiana	3% to \$150; 1½% to \$500
Iowa	3% to \$150; 2% to \$300
Kansas	3% to \$300; 5/6% to \$2100; 10% a year 6 mos. after maturity
Kentucky	3½% to \$150; 2½% to \$300
Louisiana	3½% to \$150; 2½% to \$300; 8% a year 12 mos. after last due date
Maine	3% to \$150; 2½% to \$300; 1½% to \$2500
Maryland	3% to \$300
Massachusetts	2% to \$300; 6% a year 12 mos. after last due date
Michigan	3% to \$50; 2½% to \$300; 3/4% to \$500
Minnesota	3% to \$300
Missouri	2.218% to \$400; 8% a year computed separately on additional money
Nebraska	3% to \$150; 2½% to \$300; 3/4% to \$1000
Nevada	3% to \$300; 1% to \$1500; \$5 per year min.; other charges
New Hampshire	2%; fees in advance, of \$1 on loans to \$50, \$2 on loans to \$300
New Jersey	2½% to \$300; ½% to \$500
New Mexico	3½% to \$150; 3% to \$300; 1% to \$1000; 10% a year 1 yr. after maturity
New York	2½% to \$100; 2% to \$300; ½% to \$500
Ohio	3% to \$150; 2% to \$300; 2/3% to \$1000
Oklahoma	10% per yr. plus 5% initial chg. (max. \$15); monthly 2% (max. \$2) to \$300
Oregon	3% to \$300; 2% to \$500; 1% to \$1500
Pennsylvania	3% to \$150; 2% to \$300; 1% to \$600; 6% a yr. after 24 mos.
Rhode Island	3% to \$300
South Dakota	3% to \$300; 3/4% to \$2500; 8% a year 6 mos. after maturity
Utah	3% to \$300; 1% to \$600
Vermont	2½% to \$125; 2¼% to \$300
Virginia	2½% to \$300; 1½% to \$600; 6% a yr. after 23 mos. and other cases
Washington	3% to \$300; 1% to \$500; \$1 minimum
West Virginia	3½% to \$150; 2½% to \$300
Wisconsin	2½% to \$100; 2% to \$200; 1% to \$300
Wyoming	3½% to \$150; 2½% to \$300; 1% to \$1000; plus \$1 fee on loans of \$50 or less; \$1 recording fee.

1/ States omitted have no small loan law or law classed as ineffective or inadequate by the National Consumer Finance Association.

Sources: National Consumer Finance Association, Conference on Personal Finance Law.

TABLE 4

STATES LIMITING SALES FINANCE AND OTHER CHARGES  
ON INSTALLMENT SALES CONTRACTS, JULY 1, 1956.

	Cash price ceiling	Minimum finance charge	Maximum finance charge on principal balance	Delinquent charge limits	Refinancing charge limits
California <sup>a</sup>	-----	\$25	1% of unpaid balances times no. of months of contract	Interest on instalments or reasonable fees	-----
Colorado <sup>a</sup>	-----	15	-----	5% of instalment or \$5, whichever is less	-----
Connecticut	\$5,000	15	New cars \$7/100; less than 2 yrs: \$9/100; older, \$12/100	5% or \$5	12% true interest
Indiana	5,000	b	Less than 1 yr. old, \$9/100; 1-2 yrs. old, \$13/100; more than 2 yrs. old, \$15/100	b	-----
Kentucky <sup>a</sup>	5,000	---	New cars, \$9/100; less than 2 yrs. old, \$12/100; older \$15/100	5% or \$5	\$5 plus 1% per month
Maryland	2,000 <sup>c</sup>		New cars, \$6/100; less than 2 yrs. old, \$9/100; older, \$12/100	5% or \$5	15% true interest
Michigan <sup>a</sup>	-----	15	1% of unpaid balance times no. of months of contract	2% per month	1% - 2% per month d
Nevada <sup>a</sup>	-----	25	-----	Interest on instalments or reasonable fees	-----
New Jersey	3,000	---	New cars, \$7/100; less than 2 yrs. old, \$10/100; older, \$13/100	5% or \$5	\$5 plus 10% true interest
New York <sup>a c</sup>	3,000	---	\$8/100 plus 50¢ per mo. on first \$50 plus 25¢ per mo. on next five \$50-units	5% or \$5	\$5 plus 1% per month
Ohio	-----	15	New cars, 6% p.a.; less than 2 yrs. old, 9% p.a.; older, 12% p.a.	5% or \$5	-----
Pennsylvania <sup>a</sup>	-----	10	1% of unpaid balance times no. of months of contract	2% per month	1% - 2% per month
Utah	7,500	5 or 15 <sup>f</sup>	New cars, \$7/100; less than 2 yrs. old, \$9/100, 2-5 yrs. old, \$12/100; older, \$15/100	Interest on instalments or reasonable fees	-----
Wisconsin	-----	15		g	g

- a Statute deals solely with retail sales finance of motor vehicles.
- b Charges fixed by the Department of Financial Institutions.
- c Ceiling applies on all personal property except motor vehicles.
- d Varies with age of car.
- e Effective October 1, 1956.
- f Upper limit applies only to motor vehicles.
- g Regulated by Commissioner.

Sources: Conference on Personal Finance Law, Consumer Finance Law Bulletin, National Highway Users Conference, Inc., and Roger S. Barrett, Compilation of Consumer Finance Laws (Washington, D. C.: National Consumer Finance Association, 1952).

Finance rates on furniture and appliance contracts are usually higher and vary more widely than rates on automobile contracts. Add-on rates of 7 to 10 percent per annum are fairly common. Mail order companies charge around 10 percent add-on per annum, though the rate may vary somewhat with the maturity of the contract. Some jewelers and appliance and furniture dealers charge considerably higher rates, particularly on items selling for less than \$50 or so. For example, the dealer who sells a \$10 item for a dollar down and a dollar a week for ten weeks is charging an effective annual rate of around 102 percent (direct ratio method).

On F.H.A. insured repair and modernization loans the rate may not exceed 5 percent discount on the first \$2,500 and 4 percent on the portion of the loan over that amount.

#### Reasons for "High Cost" of Consumer Credit

It would be misleading to present data on costs of consumer credit without indicating why costs are high. Comparison to consumer credit rates with interest rates on bank loans to corporations or with interest rates paid on savings deposits and government bonds overlooks the fact that consumer credit involves an expensive type of loan operation. The consumer must pay for the costs of advertising, credit investigation, monthly collection, credit losses, etc. Furthermore, it costs about as much to handle a \$100 loan as a \$500 loan. For example, the average cost per loan (excluding profits and income taxes) made by consumer finance companies in Illinois during 1955 was about \$33.66. To cover only this average cost, allowing nothing for profits or taxes, the annual finance charge on a \$500 installment loan for 12 months would have to be about 12.2 percent; and on a \$100 installment loan for 12 months it would be about 56.8 percent (direct ratio method). 6/

To put the matter another way, the average finance charge collected by consumer finance companies in Illinois was 2.30 percent per month, or 27.6 percent per year. If these companies had furnished loans at cost, that is, if they had made no profits and paid no income taxes, the average finance charge would have declined only slightly to 2.07 percent per month, or 24.8 percent per year. In other words, 90 percent of the monthly charges borrowers paid was for the costs involved in extending and handling these loans. These are costs which are unavoidably associated with granting small loans carrying fairly high risk and with making monthly collections on these loans.

Consequently, consumer credit is expensive because of the expensive services provided along with the credit. Although the cheapest way to buy an automobile is to pay cash, many consumers do not have that alternative. When they seek credit, they need to know what they are buying, what they are paying, and they need to care enough and know enough to shop for credit. Only with proper education can consumers make worthwhile savings in their use of credit.

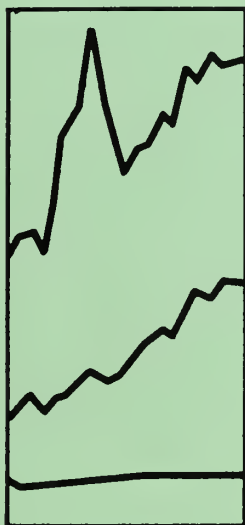
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6/ This is only illustrative. Costs are related to loans granted in 1955, though some costs and income are chargeable to loans granted in earlier years; also, some of the income and a smaller portion of the costs associated with loans made in 1955 will not be realized until later. No consideration is given to the differences between fixed and variable costs, though this is not a serious omission, since a high proportion of the costs are fixed.

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# THE DEMAND AND PRICE SITUATION FOR FOREST PRODUCTS



FOREST SERVICE  
AND  
COMMODITY STABILIZATION SERVICE  
U. S. DEPARTMENT OF AGRICULTURE  
November 1956



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# The Demand and Price Situation for Forest Products

## Foreword

This report was prepared as background information for the Outlook Conference held by the U. S. Department of Agriculture in November 1956. The analysis of timber products was prepared by the Division of Forest Economics Research, Forest Service, and the analysis of naval stores by the Tobacco Division, Commodity Stabilization Service.

The brief analysis of the outlook for 1975 is based on assumptions concerning population trends, Gross National Product and other related factors contained in a report "Timber Resource Review", published by the Forest Service, U. S. Department of Agriculture in September 1955.

Somewhat more detailed information on past production, consumption and price trends is contained in the "Demand and Price Situation for Forest Products, 1956" published in November 1955.

## Outlook Summary

### Lumber

Lumber consumption during 1956 is expected to total about 40.5 billion board feet. This is about 3 percent below the estimated level of consumption in 1955 but about the same as the average during the last few years.

Lumber production in the United States during 1956 is estimated at about 38 billion board feet, including 30.6 billion board feet of softwoods and 7.4 billion board feet of hardwoods. This is 4 percent less than estimated production in 1955 but slightly above the average level during the last 5 years. The West is expected to produce about half of the lumber cut, the South 35 percent and the North 15 percent.

Imports of lumber during the first half of 1956 have been lower than in the corresponding period in 1955, and for the year may amount to about 3.3 billion board feet. Exports are expected to reach 750 million board feet, or about 100 million board feet below the 1955 level.

Between January and April 1956 the wholesale price index of lumber increased from 127.6 to 130.6 or about 3 percent above the previous all-time peak of 126.7 reached in March 1951. Since April, prices have dropped to 125.8 in September 1956.

### Pulpwood

Total pulpwood consumption, including the equivalent pulpwood content of pulp and paper imports, is expected to amount to 45.5 million cords in 1956. This will be a new peak in pulpwood consumption and marks the continuation of a period of extremely rapid growth in the pulp and paper industry.

During the first half of 1956 domestic pulpwood production was 17 percent above the corresponding period in 1955 as a result of an exceptionally high level of demand for paper and board. For the year, domestic production is expected to amount to an estimated 35 million cords - 13 percent higher than production in 1955 and 106 percent higher than production in 1946.

Imports of pulpwood during 1956 are estimated at 1.8 million cords or about the same as in 1955. The equivalent of about 9 million cords net is expected to be imported in the form of wood pulp, paper and board.

Pulpwood prices have increased in 1956. In the Southeast, for example, the average price of rough pine pulpwood delivered to local shipping points increased from about \$14.35 per cord in 1955 to \$15.50 in September 1956. Increases were also noted for most pulpwood species in the Lake States and the Northeast.

### Veneer Logs and Bolts

Consumption of hardwood veneer logs since 1951 has amounted to about 1 billion board feet per year, a level of consumption that is expected to be maintained during 1956. Consumption of softwood veneer logs, practically all of which

are processed on the West Coast, has increased from 1.2 billion board feet in 1951 to an estimated 2.6 billion board feet in 1956. Most of this increase is attributed to the expanding use of softwood plywood in construction.

#### Other Timber Products

Consumption of miscellaneous industrial timber products such as poles and piling, posts, mine timbers, and a variety of other minor timber products in 1952 amounted to about 700 million cubic feet or the equivalent of approximately 9 million cords. Since then little change has occurred in the level of consumption of these products.

#### Christmas Trees

Consumption of Christmas trees during 1956 is expected to total 39 million trees, including about 27 million trees produced from domestic forests and 12 million trees imported from Canada. Prices of standing Christmas trees vary considerably throughout the United States. In the North, however, producers have been receiving prices for plantation trees of about \$2.00 for 6-foot trees, with good form and of select species.

#### Naval Stores

Rosin prices probably will stay close to present levels well into 1957. Turpentine prices are likely to increase before the new crop year begins next April 1. While little change is expected this year in domestic consumption of rosin and turpentine, the long term trend is toward rising domestic consumption. A 15-20 percent increase is anticipated this crop year in turpentine exports, but rosin exports should be about the same as last year. Domestic production of rosin and turpentine is expected to increase slightly this year. However, because of lower carry-in stocks on April 1, 1956, as compared with a year earlier, there should be little change in total domestic supplies of both these commodities. For the years ahead, supplies appear to be ample, particularly in the case of turpentine.

The favorable market situation continues the trend which started more than 3 years ago. Only 117 drums of rosin and no turpentine were placed in the 1956 price support loan program. Since November 1954, 22 percent of CCC rosin and 45 percent of CCC turpentine stocks have been sold and substantial additional quantities are likely to move out of CCC stocks before the end of the crop year.

## The Demand and Price Outlook for Lumber

### Lumber consumption near record levels

Lumber consumption in the United States in 1956 is estimated at 40.5 billion board feet. This is about 3 percent less than estimated consumption in 1955, about the same as consumption in 1954, and not far below the all-time peak of about 45 billion board feet reached in 1906 (chart 1).

Per capita consumption of lumber fell from 527 board feet in 1906 to about 180 board feet during the 1930's. This was caused largely by the substitution of other materials, including plywood and paperboard, for lumber. Since the early 1940's, lumber consumed per person has shown no decided trend and has fluctuated around a level of about 240 board feet. During this period, the substitution of other materials for lumber in certain uses has continued but this has been offset by increased demands in residential construction and other uses. Since 1906 the relative importance of lumber in the mix of all raw materials (excluding food and energy materials) consumed in the U.S. economy has declined although the use of all industrial wood products (fuelwood excluded) since 1939 has maintained its relative position in the raw materials mix.

### Construction the major use of lumber

In 1952 about 73 percent of all lumber consumed was used in residential and other types of construction. In 1956 construction activity is at a record level with the seasonally adjusted annual rate estimated at \$44.5 billion (\$35.5 billion 1947-49 dollars) or 3 percent above construction activity in 1955 (chart 2).

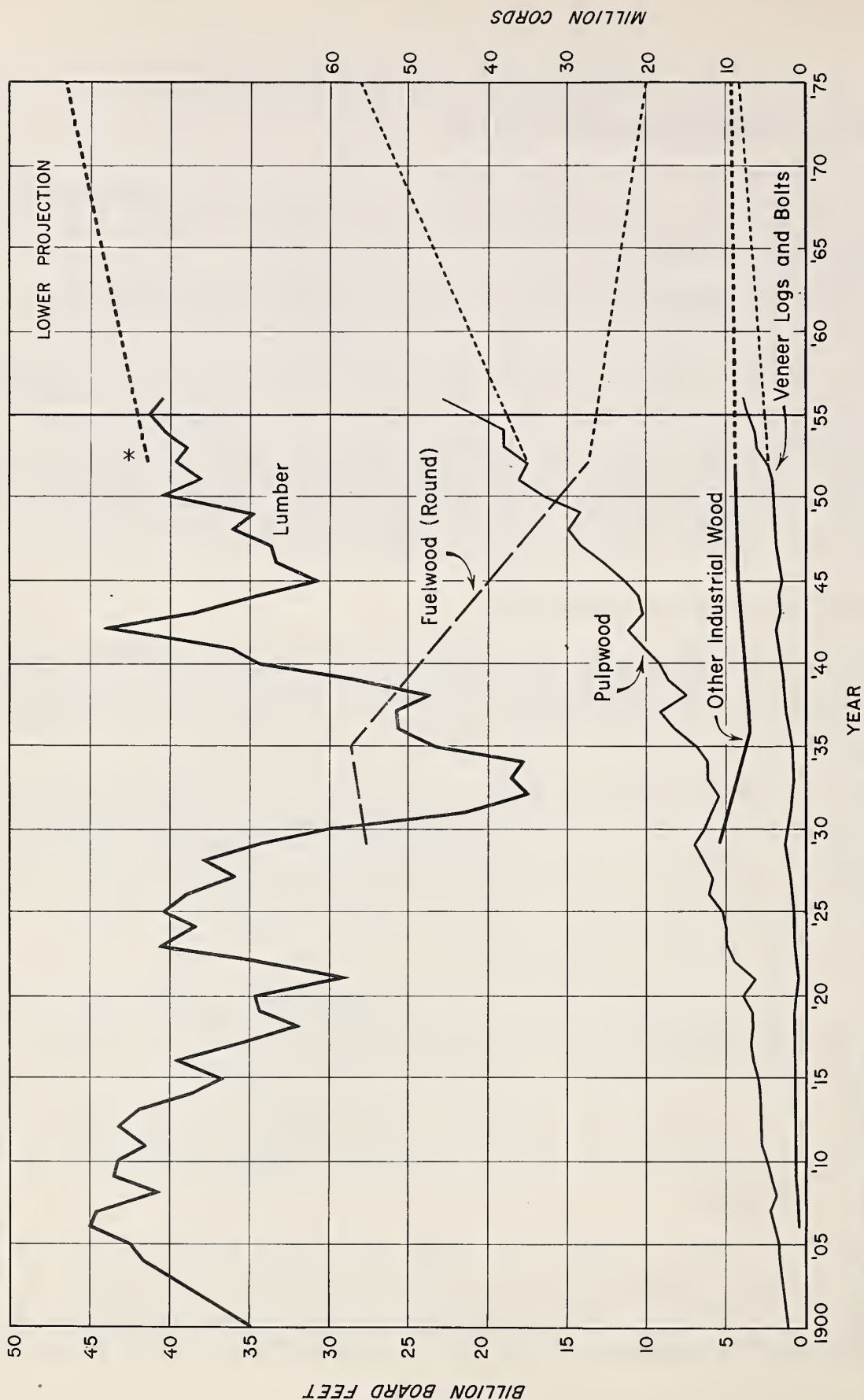
Housing is the most important single use of lumber. In 1952 an estimated 16.6 billion board feet, or 40 percent of all lumber consumed in the United States, was used in the construction and the maintenance and repair of residential buildings. Residential construction reached a peak in 1950 (chart 2) and a somewhat lower peak in 1955. In 1956 housing starts are estimated at 1.1 million units, compared with 1.3 million units in 1955 and an average of 1.2 million units for the period 1950-55.

During the next few years, residential construction may continue to be somewhat lower than the average for the period 1950-1955 as a result of reduced family formation, reflecting the low birthrates that prevailed in the depressed 1930's. Residential construction tends to be maintained, however, by the continuing movement of city populations to suburbs, by high birthrates which require larger houses, and by increases in disposable income which permit improvement in the general level of housing. Government policy to provide liberal credit and otherwise encourage housing construction is also likely to continue to be an important factor.

During 1952, lumber consumption on farms, in railroad construction and in mines amounted to about 5.8 billion board feet, or 14 percent of all lumber consumed. Since then it is estimated that lumber consumption for these uses has not changed significantly. Lumber consumption in other types of construction such as industrial, commercial, institutional, recreational, military and public

Chart 1

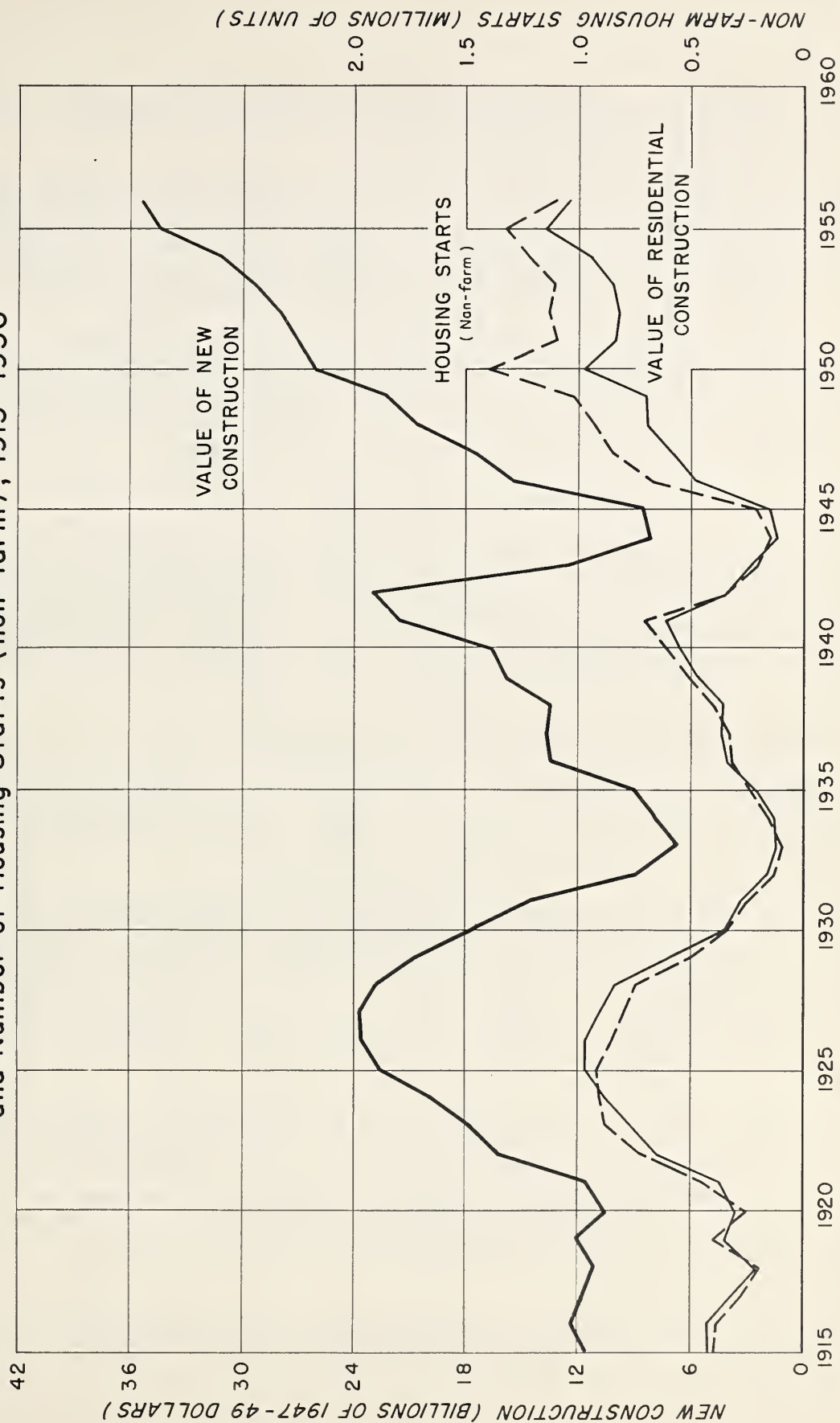
# CONSUMPTION OF FOREST PRODUCTS IN THE UNITED STATES, 1900-1956 AND POTENTIAL DEMAND 1975



\* Timber Resource Review Estimate

Chart 2

Value of All New Construction and Residential Construction in 1947-49 Prices  
and Number of Housing Starts (non-farm), 1915-1956



utilities amounted to an estimated 7.9 billion board feet in 1952. Since 1952, lumber consumption for such construction has increased in response to sharply increased construction activity (chart 2).

Shipment of agricultural and industrial commodities in 1952 required about 17 percent of all the lumber consumed, or 6.9 billion board feet. Since 1952, demands for shipping materials have increased significantly in response to higher levels of economic activity, but lumber has had fairly strong competition from container board and other shipping materials.

The third major end-use for lumber is in fabricated products such as furniture, millwork and a wide variety of other manufactured items. About 4.2 billion board feet, or 10 percent of all the lumber used in 1952, was consumed in the manufacture of these products. Since 1952, it is estimated that some increase has occurred in the use of lumber for manufactured products.

#### Domestic production supplies most lumber needs

Domestic lumber production accounts for about 95 percent of all the lumber consumed in the United States. In the period 1951 through 1955, for example, production averaged 37.7 billion board feet, compared with average imports of 2.9 and average exports of .8 billion board feet. Softwoods constitute about 80 percent of all lumber used in the United States. Softwood lumber from Canada has made up most of the lumber imports.

#### More than half the lumber now produced in the West<sup>1/</sup>

Lumber production in the West has increased from 3.5 billion board feet in 1900 to an estimated 20.6 billion board feet in 1956 (chart 3). The present western cut amounts to more than half of all the lumber produced in the United States. It includes about two-thirds of the softwood lumber.

The West is expected to continue to be the most important region of lumber production for some time because of its relatively great wealth of timber (chart 4). Altogether this region contains about 1,345 billion board feet of sawtimber, or two-thirds of the Nation's total supply. In terms of softwoods, which account for about 80 percent of the lumber used in the country, the West is in an even better position with 80 percent of the softwood volume. Most of this timber, moreover, is old-growth of relatively high quality.

At the present time the cut in the West is far in excess of growth (chart 5). This can be expected to continue until most of the old-growth timber is harvested and new second-growth forests have developed. As the backlog of old-growth timber is cut, it is inevitable that the relative importance of the West as a lumber producing region will decline. Commercial forest lands in the West make up only 24 percent of the Nation's timber growing area (chart 4).

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<sup>1/</sup> The West includes the eleven western States and South Dakota. The South includes the twelve most southern States including Virginia. The North includes the remaining 25 States.

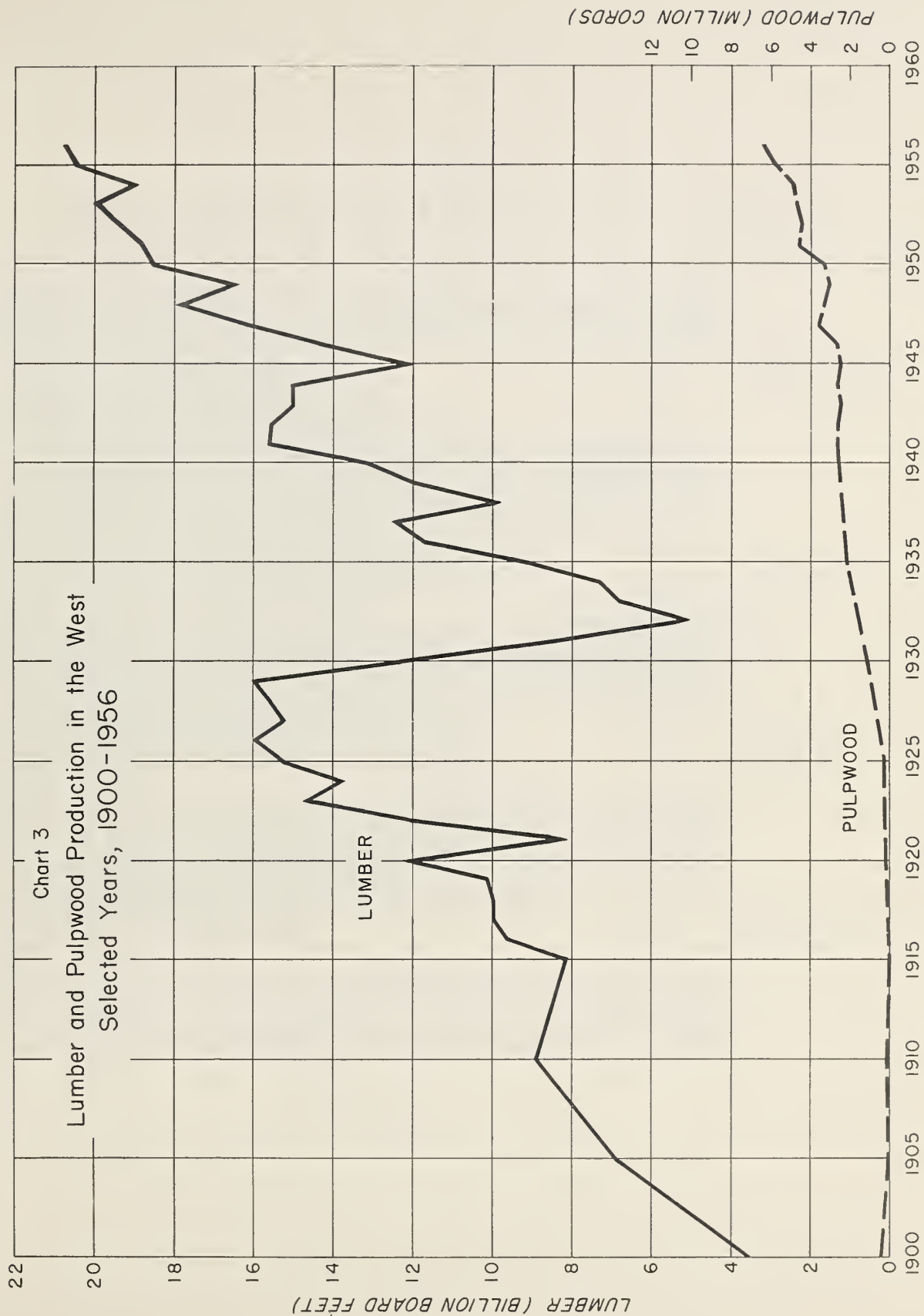


Chart 4

Distribution of Commercial Forest Land, Sawtimber Volume, Growing Stock Volume, and Sawtimber Cut by Region, 1952

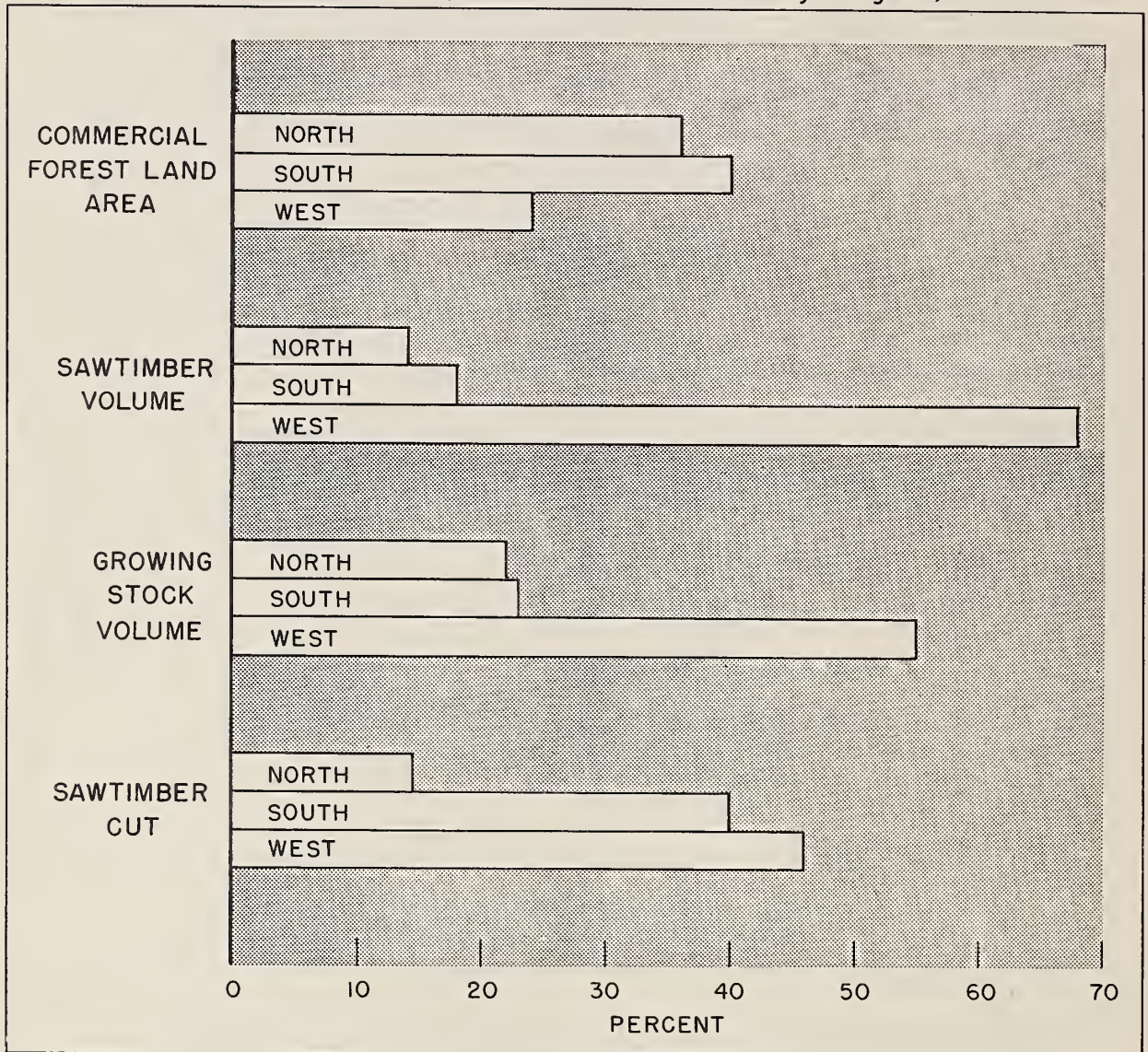
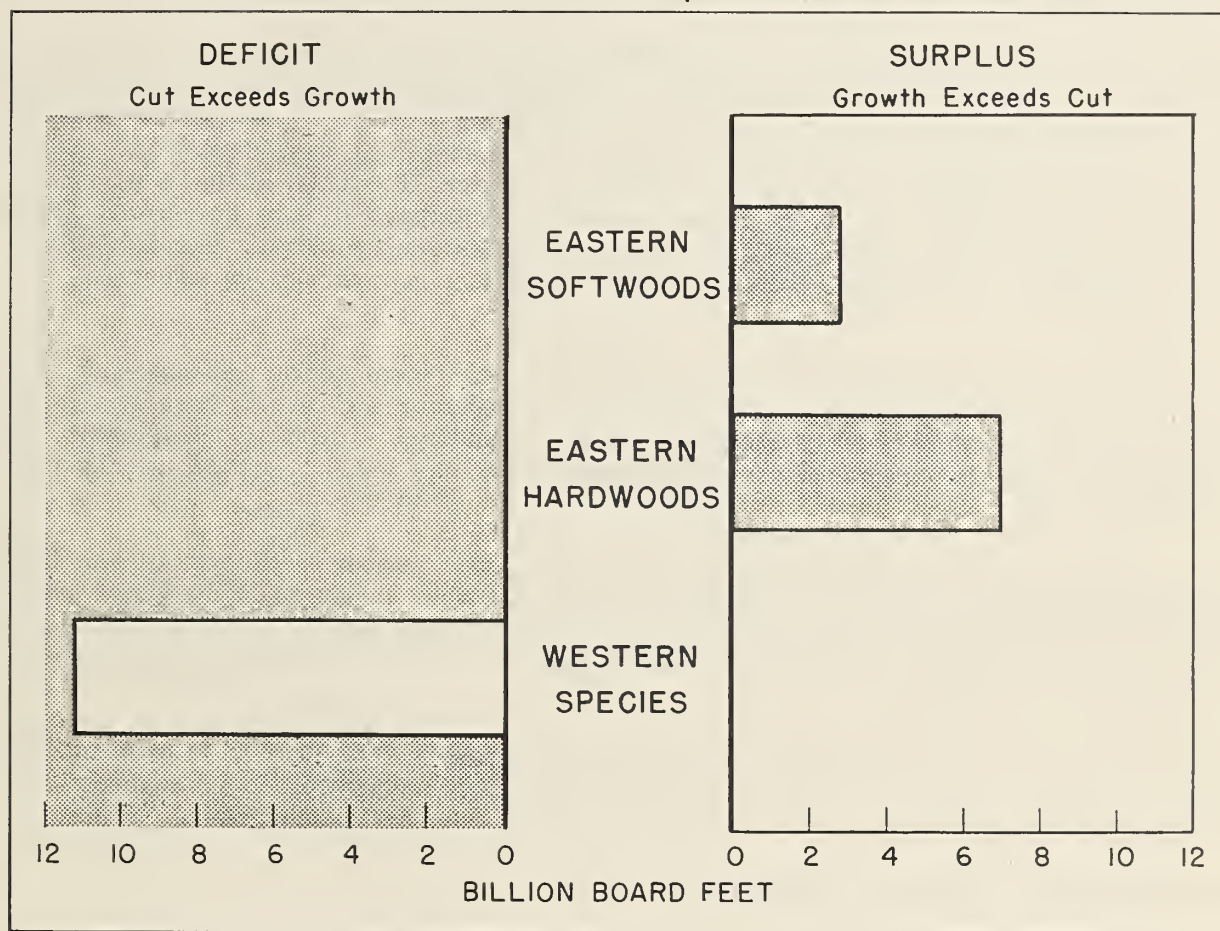


Chart 5

Sawtimber Growth - Cut Relationship in the United States 1952



### The South still a large supplier of timber products

Lumber production in the South has declined from a peak of 20 billion board feet in 1910 to an estimated 12.4 billion board feet in 1956 (chart 6). Since 1940, however, practically no change has occurred in total lumber production in this region, although the softwood cut has dropped to 65 percent of the total southern lumber cut while the output of hardwood lumber has increased to 35 percent of the total. Since 1935, production of pulpwood also has increased spectacularly and is now only slightly behind the cut of lumber.

The South is potentially one of the most productive forest regions in the United States. It contains about 40 percent of the Nation's forest land, 23 percent of the growing stock, and 17 percent of the sawtimber (chart 4). Growth rates are high, logging conditions are relatively easy, year-round employment is possible and labor supplies are relatively abundant. Market location also is highly favorable and distances to the great industrial centers of the North and Midwest are relatively short. Current growth in the South exceeds cut, particularly for hardwoods, and through more intensive forestry growth can be materially increased.

As in the West, forestry efforts in the South will have to be intensified if the region is to continue as a major source of lumber and still meet the expanding work requirements of the pulp and paper industry. Improved management is particularly needed on farm and other small holdings which include nearly three-fourths of the forest land in the South.

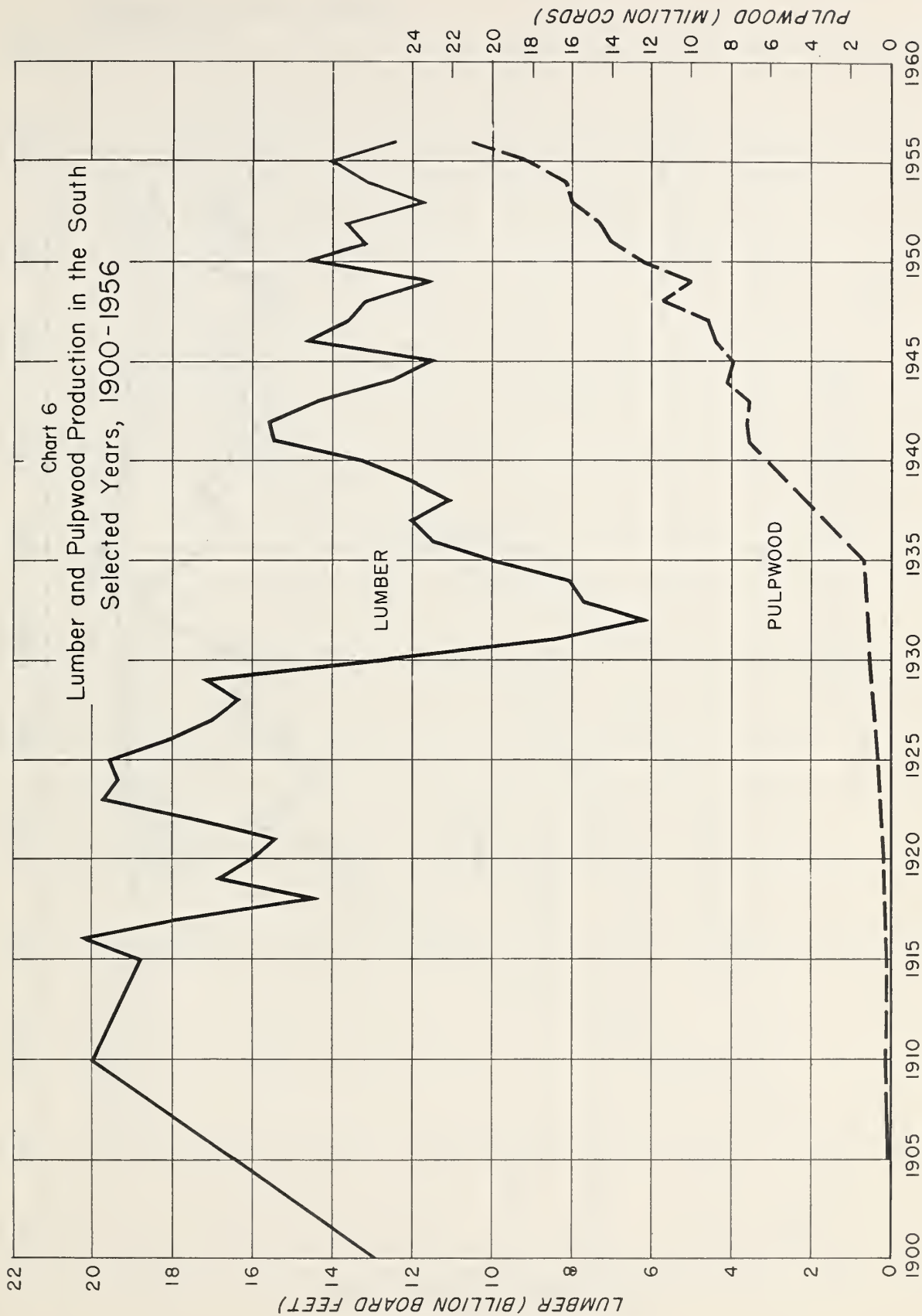
Fifty years ago the North provided half of all the lumber produced in the United States (chart 7), but after the peak of 1905, lumber production declined sharply to less than 4 billion board feet in the 1930's. The estimate of 5 billion board feet of lumber production in the North in 1956 approximates the average of the past 15 years.

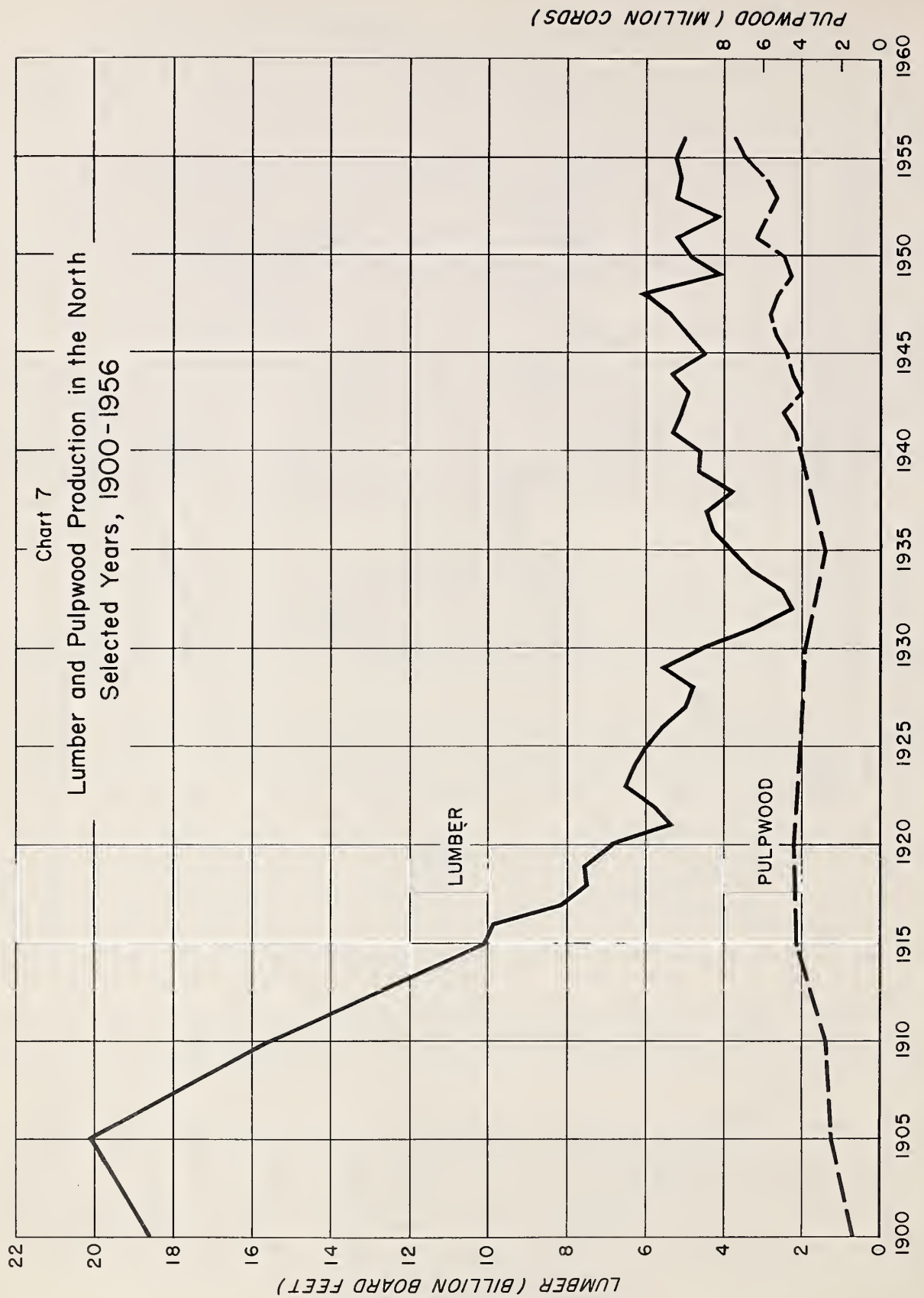
The North contains 22 percent of the Nation's growing stock and 13 percent of the sawtimber, mainly hardwoods (chart 4). Timber growth in 1952 exceeded cut but average timber quality is low and growth is far below potential yields.

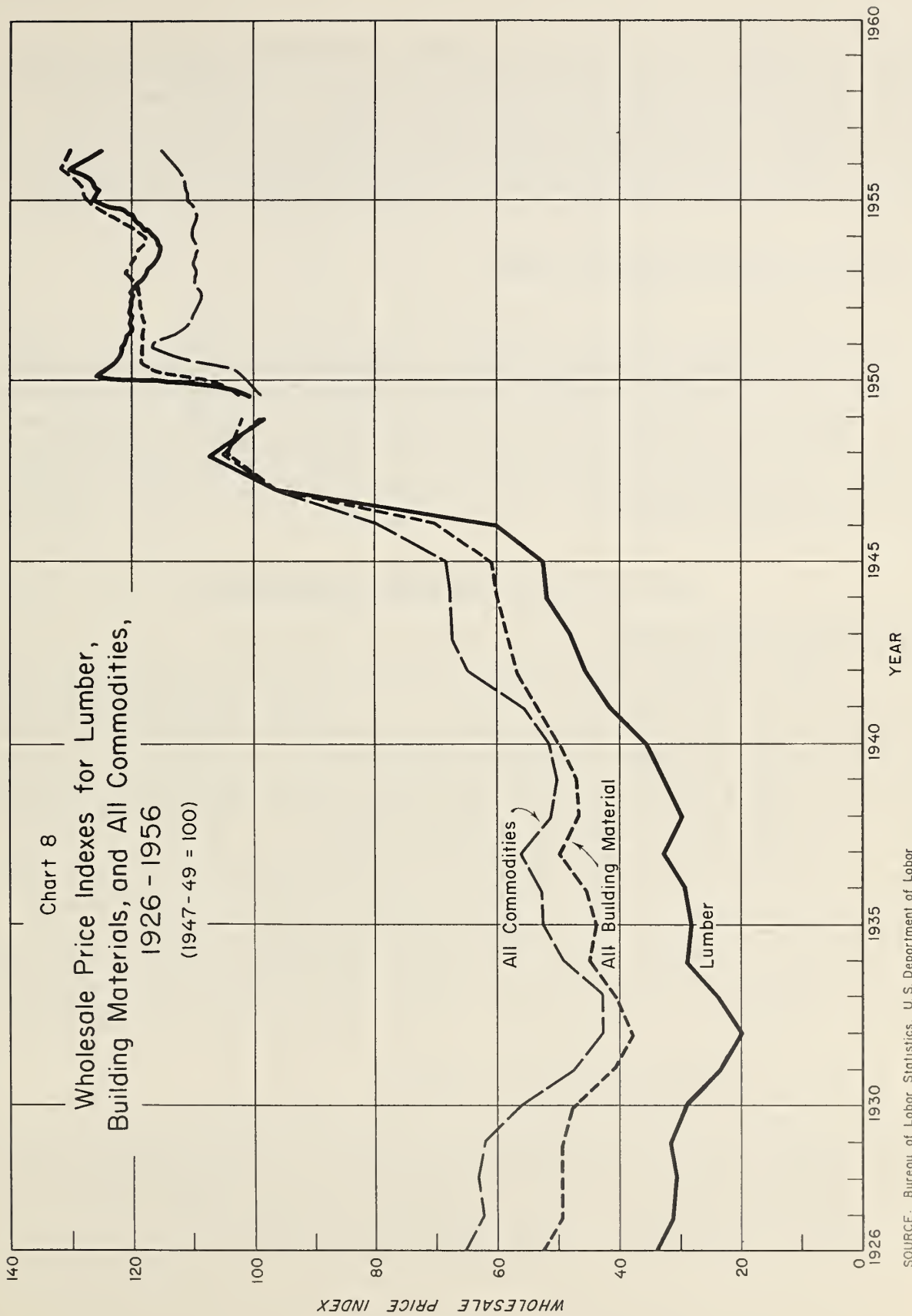
### Lumber prices reaches all-time peak in 1956

Between January and April 1956, the wholesale price index of lumber increased from 127.6 to 130.6 (chart 8). This was slightly above the previous all-time peak of 126.7 reached in March 1951. Between April and September 1956, lumber prices dropped to 125.8.

From 1926 to September 1956, wholesale lumber prices increased 279 percent, climbing from an index of 33.2 in 1926 to 125.8 (chart 8). Prices of all commodities, on the other hand, increased by only 77 percent during this period. In the past 6 years, however, the wholesale price indexes for both lumber and all commodities have been relatively stable.







The rise in lumber prices that has occurred since 1926 has resulted from a number of factors. With the diminishing availability of timber of desirable market quality, for example, it has been necessary to utilize smaller and poorer quality trees, which require more man-hours and equipment time per unit of lumber produced. It has also been necessary to shift logging operations into more remote regions with difficult terrain and consequent increases in logging costs. Rising values for standing timber have also been reflected in higher lumber prices.

#### Stumpage prices show large increases

Stumpage prices, i.e., the price received for standing timber, are at or near an all-time high throughout the country. Southern pine stumpage in national forest timber sales, currently averages about \$35.00 per thousand board feet, compared with about \$5.00 in 1935. In the Douglas-fir region of western Oregon and Washington, national forest sales of Douglas-fir stumpage currently averages about \$30.00, or 15 times the price of \$2.00 received in 1935. Stumpage prices vary widely for given tracts of timber, however, depending upon tree species, timber quality, volume per acre, accessibility and logging conditions, and various other factors.

#### The Demand and Price Outlook for Pulpwood

##### Consumption rising rapidly

Total pulpwood consumption, including the equivalent pulpwood content of pulp and paper imports, is expected to amount to an estimated 45.5 million cords in 1956 (chart 1). This will be a new peak in pulpwood consumption and marks the continuation of a period of extremely rapid growth in the pulp and paper industry. New uses for pulp and paper products, as well as continuing growth of population and Gross National Product, has resulted in construction of numerous new mills and major expansions of most pulp and paper plants.

During the first half of 1956 pulpwood production was 17 percent above the corresponding period in 1955. Total production in 1956 is estimated at 35 million cords--13 percent above production in 1955, and 106 percent higher than production in 1946. Imports of pulpwood during 1956 are estimated at 1.8 million cords, or about the same as in 1955. Imports of wood pulp, paper and board, less exports, is expected to total the equivalent of about 9 million cords of pulpwood.

##### U. S. increasingly self-sufficient in pulpwood

Domestic forests are being called upon to supply the pulpwood for the rapid expansion in United States pulp and paper markets. In 1956, pulpwood production from domestic forests is estimated at 35 million cords, or 77 percent of the total of 45.5 million cords needed to supply United States pulp and paper demands. In 1930, on the other hand, only 46 percent of the pulpwood needed to supply pulp and paper demands was cut from domestic forests.

### Softwoods preferred for pulpwood

Southern pine, western hemlock, Douglas-fir, spruce and true firs are most in demand for pulpwood and these species have long been the principal source of pulpwood used for pulp and paper manufacture in this country and in Canada. In 1956, it is estimated that softwoods will make up about 83 percent of the current pulpwood cut. In the South, softwoods will comprise about 87 percent of the total cut, in the North 58 percent, and in the West almost 100 percent of the total. Softwoods are preferred over hardwoods for many grades of paper and board, because of longer fiber length and greater strength for pulp and paper.

Consumption of hardwood pulpwood has been expanding, however, as a result of increased competition and prices for softwood timber and development of suitable pulping processes for hardwoods. This has been particularly true in the North where stands of preferred spruce and fir have not been adequate to meet expanding demands of the pulp industry and where large supplies of relatively low cost aspen and other hardwoods are available. Although the proportion of hardwood pulpwood to softwood pulpwood has not changed appreciably for many years, production has risen from about 0.8 million cords in 1920 to an estimated 6.0 million cords in 1956.

### Pulpwood production concentrated in the South

Pulpwood production in the South has increased rapidly from about 1 million cords in 1930 to an estimated 20.9 million cords in 1956 (chart 6). This present cut of pulpwood is equivalent to about 75 percent of the volume of sawlogs produced in the region.

The rapid growth of the pulp and paper industry in the South is based upon a number of favorable factors. These include good location with respect to markets; reasonable security of future raw material supplies based upon rapid tree growth, local supplies of labor and year-long woods work, comparatively easy logging conditions, availability of water, chemicals and power, and excellent transportation facilities for both pulpwood and finished products.

Considerable competition consequently has developed between pulp mills and sawmills for the available supply of softwood timber in many parts of the South. To an increasing extent, the same sizes and species of timber are utilized for sawlogs and pulpwood. Yet further expansion of the southern pulp industry is to be expected because of such factors as strong bargaining power for available wood supplies, and ability to use small size and low grade material.

Pulpwood production in the West increased from about 1.2 million cords in 1930 to an estimated 6.4 million cords in 1956 (chart 3). The use of plant residues for pulping is especially important in this region. In 1952, for example, about one-third of the wood used in pulping consisted of plant residues from sawmills and veneer mills. Moreover, the proportion of residues used has been steadily increasing. The region still has large quantities of waste material suitable for pulp manufacture and undoubtedly further expansion will be based on the use of such residues.

Fifty years ago, the North supplied nearly all of the pulpwood produced in the United States, and as late as the early 1930's the Northeast and Lake States still supplied more than half of the Nation's cut. In contrast to the South and West, production has been increasing relatively slower (chart 7) due in part to increasing shortages of the preferred softwoods. In recent years, production of semi-chemical and other hardwood pulps has increased rapidly and further expansion based on the large hardwood resources of this section can be expected.

#### Pulpwood prices rise in 1956

Pulpwood prices in 1956 were moderately higher than in 1955. In the Southeast, for example, prices of rough pine pulpwood received by producers at local points of delivery increased from about \$14.35 per cord in 1955 to \$15.50 in September 1956. Comparable increases were noted for most pulpwood species in the Lake States and the Northeast.

Pulpwood prices show considerable variation between regions, depending upon species, availability of local timber supplies, and other factors. Thus in the Lake States, prices of rough pulpwood f.o.b. cars currently average about \$24.25 per cord for spruce, \$17.50 for pine and \$12.75 for aspen and northern hardwoods. In the Northeast, prices f.o.b. car average about \$20.00 per cord for spruce and fir and \$15.00 for white pine. In the South, prices per rough cord f.o.b. car average about \$15.50 for pine and \$13.45 for hardwoods.

Since the 1930's, pulpwood prices have advanced rapidly. Prices for southern pine pulpwood, for example, increased from \$3.60 per cord in 1938 to \$15.50 as of September 1956, as shown in the following tabulation:<sup>2/</sup>

<u>Year</u>	<u>Average price</u>	<u>Year</u>	<u>Average price</u>
1938	\$ 3.60	1947	\$10.95
1939	3.90	1948	11.70
1940	4.15	1949	11.00
1941	4.60	1950	11.90
1942	6.00	1951	13.85
1943	7.25	1952	13.90
1944	8.20	1953	13.90
1945	8.45	1954	13.95
1946	10.10	1955	14.35
		Sept. 1, 1956	15.50

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<sup>2/</sup> Prices shown in this tabulation represent the weighted average of all rough pine pulpwood loaded on railroad cars, and trucked to pulp mills in the Southeast.

## The Demand and Price Outlook for Veneer Logs and Bolts

### Veneer log consumption rising rapidly

Consumption of veneer logs and bolts in the United States has risen from 1.5 billion board feet in 1946 to 3.6 billion board feet in 1956 - an increase of 140 percent (chart 9).

The volume of veneer logs consumed in 1956 was roughly equivalent to 9 percent of the lumber used and 21 percent of total pulpwood production. Most of this increase in veneer log use has been in consumption of softwood veneer logs which rose from .6 billion board feet in 1946 to an estimated 2.6 billion board feet in 1956. Consumption of hardwood veneer logs during this same period increased from about .8 billion board feet to about 1 billion board feet.

Almost all of the softwood veneer logs are produced in the West. Hardwood veneer logs are produced in both the South and the North. Limited quantities of veneer logs, chiefly specialty hardwoods, are also imported into the United States.

## Demand and Price Outlook for Other Forest Products

### Industrial timber products

Consumption of timber products such as poles and piling, posts, mine timbers and a variety of other minor products in 1952 amounted to about 700 million cubic feet or about 8 percent of the industrial wood (all products except fuelwood) consumed in the United States. Consumption of individual products has shown variable trends in recent years but it is estimated that there has been little change in total wood consumption for such products. In total, however, there has probably been no significant change in the amount of wood consumed.

### Christmas trees

Consumption of Christmas trees during 1956 is expected to amount to about 39 million trees, including about 27 million trees produced from domestic forests and 12 million trees imported from Canada. In the North, for example, prices of Christmas trees from plantations have averaged about \$2.00 per tree for 6-foot trees of good form and select species. Prices vary considerably, however, by species, form and locality.

## The Long-term Outlook for Timber Products

The Forest Service has recently taken a look ahead at the future prospects for timber products in the light of expected trends in the growth of population, Gross National Product and other related factors.<sup>3/</sup>

It is estimated that the Nation's population, for example, will increase from about 157 million people in 1952 to 210 million in 1975, and to 275 million in the year 2000 (chart 10). Gross National Product, a more significant market

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<sup>3/</sup> U. S. Department of Agriculture, Forest Service. Timber Resource Review, September 1955.

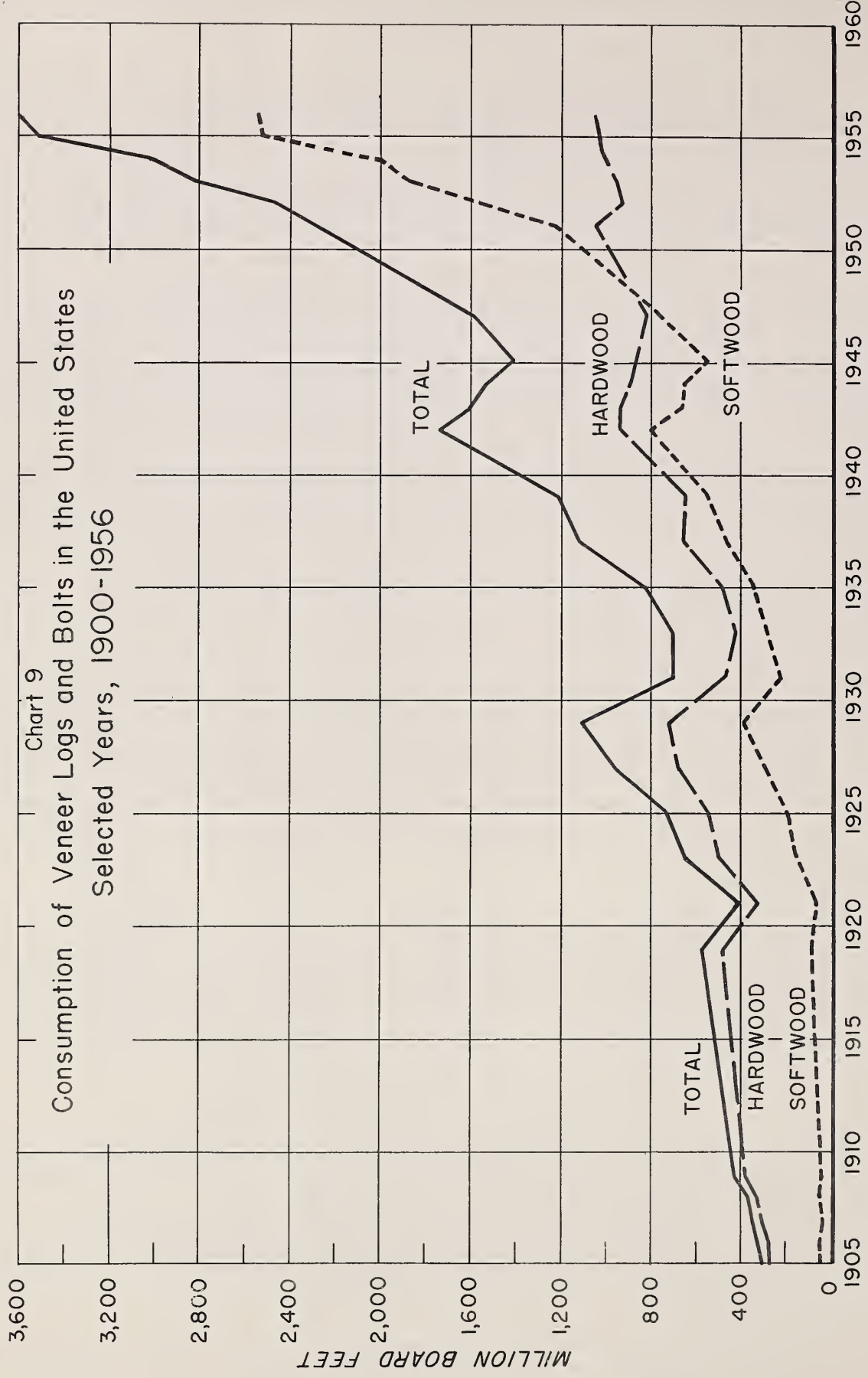


Chart 10  
Trends in Population, Gross National Product,  
and Consumption of Timber Products with  
Projections to the Year 2000



indicator for industrial raw materials is expected to rise from a 1952 level of about \$365 billion to \$630 billion in 1975 and \$1,200 billion in 2000. Other estimates indicate that by 1975, population and Gross National Product may be considerably above these estimates. However, on the basis of the above estimates of population and Gross National Product and with consideration of other factors affecting the consumption of timber products and competing materials, the Forest Service has made two projections of potential demands for timber products (chart 10).

The lower projection of potential demand was based upon a product by product analysis which considered the effect of substitution trends as well as the growth of population and Gross National Product. This projection shows that by 1975, demand for industrial wood products may be 25 percent above 1952 and total demand including fuelwood may be about 17 percent greater than in 1952. The upper projection of demand, which assumes no change in the position of industrial wood in the mix of raw materials used in the United States, shows an increase of 40 percent by 1975, with total demand, including fuelwood, 29 percent greater than in 1952. With higher estimates of population and Gross National Product, potential timber demands would be higher.

The Timber Resource Review report further indicates that with such increased demands for timber, a tightening timber supply situation is in prospect. Assuming that progress in forest management will continue as indicated by recent trends - and this means substantial progress - timber supplies would be sufficient to meet demands under the lower projection in the years immediately ahead. Within a few decades, however, projected growth would not be sufficient to meet all timber demands particularly for the preferred softwood species such as southern pine and Douglas-fir and for quality timber. The upper projection of potential demand could not be supplied for long without dipping heavily into forest capital.

These projections of potential demand and prospective growth thus point to future supply problems and increased timber values, particularly for the preferred softwoods and high quality timber. This means problems of raw material supply for many forest industries and pressure for such adjustments as greater use of hardwood in lieu of softwoods. From the standpoint of forest landowners, this suggests better market opportunities for timber and a greater stimulus for forestry than in the past. From the standpoint of forest industry and the public, this appraisal of the future emphasizes the need for a major strengthening of forestry efforts in the United States.

## The Demand and Price Outlook for Naval Stores

Domestic consumption rising. While relatively little change is expected in domestic consumption of rosin and turpentine in 1956, the long term outlook is toward increased consumption of these products.

Industrial use of turpentine declined precipitously in the 1920's and early 1930's when paint manufacturers turned from turpentine to cheaper competitive solvents. For many years since then and until 1955, the principal outlet for turpentine has been in small containers for paint thinning by individual painters and house owners. Meanwhile, industrial use of turpentine has been increasing and last year accounted for 57 percent of the total domestic disappearance--an all time high. An even greater proportion is expected to be consumed industrially this year and in years to come. Partially offsetting this expansion is a reduction in requirements for on-the-job thinning of oil base paints as a result of inroads made by water based paints.

As in the case of turpentine, the long time trend of rosin use is up, partly because of steadily expanding requirements for paper sizing. During the crop year ending March 31, 1956, 35 percent of all rosin consumed domestically went into paper sizing. In contrast, ten years ago, rosin use in paper sizing accounted for less than 23 percent of total domestic consumption. There has been a shift, likely to continue, from the direct marketing of rosin as such to the marketing of modified or specialty rosins.

Rosin exports about unchanged in 1956. Not much change is expected in rosin exports during the 1956 crop year. Barring major hostilities or prolonged interruption of shipping, increased exports from China and Mexico, along with liquidation of the British stockpile (accumulated during the Korean War) should largely offset reduced supplies from France, Portugal, Spain and Greece.

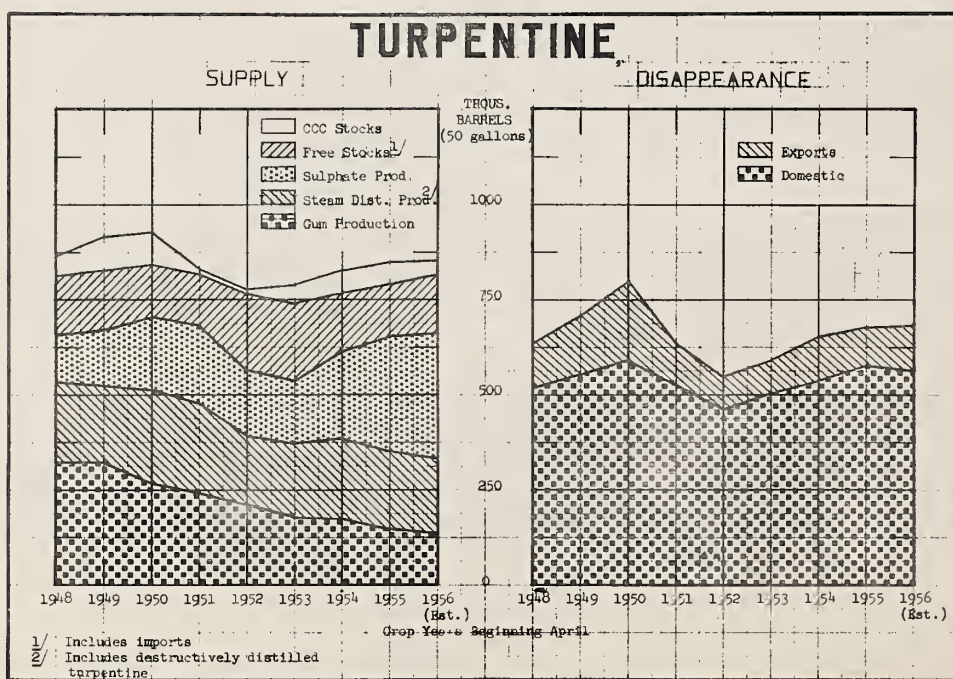
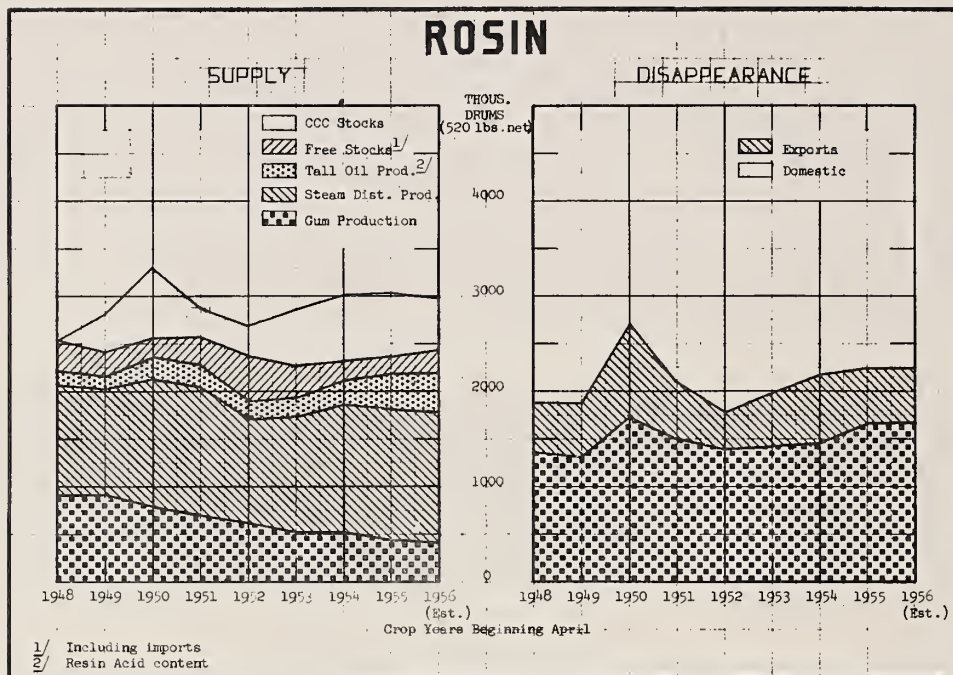
Turpentine exports to increase. Turpentine exports, likely to increase 15-20 percent because of the 20-25 percent reduction in Western European and Greek production, may be the highest since 1950.

Foreign developments. Foreign production is likely to increase next year. However, this factor should be offset at least in part by substantially lower foreign stocks at the end of the current producing season. Consequently, the outlook is for little change, possibly slightly lower exports next year.

Among the recent interesting developments in the foreign naval stores situation have been the emergence of China as a significant supply factor in world naval stores trade and plans for the initiation next year, on a small scale, of steam distilled wood naval stores production in Mexico. Another factor which may favorably affect the foreign market

# Supply and Disappearance - Rosin and Turpentine

## Crop Years Beginning April 1948 through 1956



for American naval stores is the probability that France has passed its post war peak as a supplier of gum naval stores. Owing to increasing competition for labor in the gum producing region and the delayed effects of the disastrous forest fires of 1949, French production hereafter may be substantially reduced as compared with the average for the 10 post World War II years.

The relative importance of the export outlet for U. S. rosin and turpentine has been declining since the early 1930's. However, since the end of World War II, exports appear to have stabilized at about 500 to 600 thousand drums<sup>4/</sup> of rosin and 80 to 120 thousand barrels<sup>5/</sup> of turpentine. Even if foreign output were to expand, the growing naval stores requirements of a world striving toward industrialization should tend, in the long run, to maintain U.S. exports at or above present levels.

Slight output rise expected in 1956. About 2,204,000 drums of rosin<sup>6/</sup> and 664,000 barrels of turpentine are expected to be produced in the 1956 crop year. This amounts to  $\frac{1}{2}$  percent and 1 percent increase for rosin and turpentine, respectively, over the previous year. An 11 percent increase in the production of tall oil resin acids<sup>7/</sup> should more than offset a 5-6 percent decline in gum rosin production and a 1 percent decrease in the output of steam distilled rosin. A 7 percent increase in sulphate wood turpentine production is expected to overcome a fall in gum and steam distilled turpentine output of 6 and 2 percent, respectively. (See Chart 11)

Not much change in output likely in 1957. After four straight years of increased rosin production and three consecutive years of rising turpentine output, little or no increase is expected next year. Although output of tall oil rosin (including the recoverable resin acid in tall oil) and sulphate turpentine is likely to increase, this may be largely offset by reduced production of other types of rosin and turpentine.

Long term production outlook. The long term outlook is for increased production of both rosin and turpentine. By 1975, it is anticipated that sufficient sulphate pulp mill capacity will be available to produce about 900,000 drum equivalents of tall oil resin acids and 600,000 barrels of sulphate turpentine. How much of the crude tall oil will be used to make tall oil rosin rather than refined tall oil will depend on overall demand for rosin, the extent to which markets are developed to absorb the fatty acid content of the tall oil, and the competing volume of gum and steam distilled rosin output.<sup>8/</sup> Any increase in sulphate turpentine and tall

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<sup>4/</sup> 520 lbs. net each.

<sup>5/</sup> 50 gallons each.

<sup>6/</sup> Including the resin acid content of tall oil.

<sup>7/</sup> Output of tall oil rosin as such is likely to approximate 225,000 drums, about twice the volume produced in 1955.

<sup>8/</sup> It is important to note that as tall oil production increases, the accompanying increase in kraft paper output requires an average of 1 drum of rosin for paper sizing for every 4 drums of tall oil resin acids produced in the paper making process.

oil rosin output is likely to be offset at least in part by reduced production of the steam distilled wood naval stores industry which is working on a shrinking supply of first growth long leaf pine stumps. The present low level of gum naval stores production stems from competition of expanding industrial and forestry enterprises. However, the growth potential of the gum naval stores segment of the industry is great and it is probable that the achievements of lower production costs through application of the results of continuing research on increased crude pine gum yields and reduced labor requirements will reverse the downward trend in gum output.

Lower rosin stocks in prospect. Rosin stocks are likely to be lower at the beginning of the next season than at any time since April 1, 1951. It is estimated that on April 1, 1957 they will be about 6 percent less than the previous year, with gum stocks accounting for the decline. Although little change is likely in overall turpentine stocks, a re-apportionment of stocks is likely through a 30 percent decline in gum turpentine carry-in next April 1 and a 20 percent increase in stocks of wood turpentine. If export demand materializes as expected, the bulk of CCC turpentine stocks and an appreciable part of CCC rosin stocks probably will be liquidated by next April 1.

Turpentine prices likely to increase. Turpentine prices are expected to rise before new gum crop becomes available next April 1. Prices for rosin probably will remain close to present levels through the remainder of 1956 and well into 1957. However, any prolonged interruption of shipping through the Suez Canal may curtail and increase the cost of rosin shipments from China and exert upward pressure on prices. Through October of this crop year, rosin and turpentine prices have averaged 1 and 2 percent, respectively, less than a year ago.

The present strong market situation continues the trend which began more than three years ago. Last year, no loans were made under the price support program and this year, under the 1956 program, only 117 drums of rosin have been pledged. During the past two years, CCC's rosin and turpentine stocks were reduced by 22 and 45 percent, respectively, to meet requirements in excess of commercially-held supplies. Before the end of the crop year, much of the 522,000 drums of rosin and 32,000 barrels of turpentine remaining in CCC stocks should move into consumption.





United States Department of Agriculture  
Commodity Stabilization Service  
Oils and Peanut Division  
Washington 25, D. C.

✓ ECONOMIC ASPECTS OF THE PEANUT SITUATION ✕

Statement presented by J. E. Thigpen, Director,  
Oils and Peanut Division, at the 34th Annual  
National Agricultural Outlook Conference,  
Washington, D. C., November 27, 1956

In discussing the outlook for peanuts, it may be helpful to see how we have moved over the past several years to our present position and in the light of this where we may expect to move in going forward. To facilitate discussion and analysis along these lines, a number of charts have been prepared to show changes and trends since 1945. In discussing some of these charts with a small group when I used them the first time, I commented that the members of the audience could prove whatever they wished based upon their individual interpretation and reading of the charts. This, of course, was not quite correct but your reading and interpretation may differ somewhat from mine.

This chart (1) shows that the edible use of peanuts declined after the war, reaching a low point in 1947, 1948 and 1949. A gradual increase has occurred each year since, except for 1954 when the crop was short. All edible products have shared in the increase except for unshelled peanuts which have declined since 1954.

This chart (2) shows important shifts in the use of Virginia, Spanish and Runner types of peanuts in edible products. The decrease for the Spanish type is most striking. This has occurred in part because of the tendency by farmers to shift from Spanish to Runner production in the Southeast and in part because of short crops due to drought in the Southwest.

This chart (3) shows that broad substitution has occurred among types of peanuts used in making peanut butter as supply and price relationships have shifted. Much smaller use of the Spanish type has been offset mainly by greater use of Runners and some increase in use of Virginia type.

This chart (4) shows that little substitution occurs among types of peanuts used in the salted nut trade. There has been some increase in the processing of salted nuts since 1949. In most years the proportion of Virginias used has held between 70 and 75 percent. Runners ranged from 2 to 5 percent. The remainder is of the Spanish type.

This chart (5) shows a continued strong preference by candy makers for Spanish type peanuts. Limited substitution and some shift of demand

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The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry must be clearly documented, including the date, amount, and purpose of the transaction. This ensures transparency and allows for easy verification of the data.

The second part of the document outlines the procedures for handling discrepancies. It states that any difference between the recorded amounts and the actual amounts must be investigated immediately. The responsible parties are required to provide a detailed explanation of the error and the steps taken to correct it.

The third part of the document describes the process for reconciling accounts. It requires that all accounts be reconciled at the end of each month. This involves comparing the internal records with the bank statements to ensure that they match. Any differences must be identified and resolved before the month ends.

The fourth part of the document discusses the importance of regular audits. It states that an independent audit should be conducted at least once a year to ensure that all financial records are accurate and compliant with applicable laws and regulations. The audit should cover all aspects of the organization's financial operations, including revenue, expenses, and assets.

The fifth part of the document outlines the responsibilities of the finance department. It states that the finance department is responsible for maintaining accurate financial records, preparing financial statements, and ensuring that all transactions are properly documented and supported by receipts or invoices.

The sixth part of the document discusses the importance of budgeting. It states that a budget should be developed at the beginning of each year to provide a framework for financial planning. The budget should include estimates of all expected revenue and expenses, and it should be used to monitor the organization's financial performance throughout the year.

The seventh part of the document outlines the process for managing cash flow. It states that the finance department should monitor the organization's cash flow closely to ensure that there is always enough cash on hand to meet all obligations. This involves forecasting cash requirements and identifying potential sources of additional funding if needed.

The eighth part of the document discusses the importance of financial reporting. It states that the finance department should prepare financial statements on a regular basis, including the balance sheet, income statement, and cash flow statement. These statements provide a snapshot of the organization's financial health and are used by management and external stakeholders to make informed decisions.

The ninth part of the document outlines the responsibilities of the board of directors. It states that the board is responsible for overseeing the organization's financial operations and ensuring that the finance department is performing its duties effectively. The board should also review the financial statements and provide guidance on financial strategy.

among the types are evident. Virginias increased sharply between 1949 and 1951 and have held at the higher level. Runners show only a small gain. Spanish show some decrease.

This chart (6) shows that after holding rather steady for six years after the war, the use of shelled Virginia type peanuts in edible products increased to what appears to be a new level of usage. Use is greater in each of the three major products with the largest proportionate gain in candy.

This chart (7) shows that the edible use of Spanish type peanuts declined from near 130,000 tons in the years 1947-49 to an average of 93,000 tons in the years 1952-55. Most of the decrease was in peanut butter with minor decreases in salted nuts and candy. The change resulted from the smaller available supply associated with shifts from Spanish to Runner production in the Southeast and poor crops in the Southwest.

This chart (8) shows that edible use of Runners moved from an average of about 50,000 tons in the years 1947-49 to an average of about 94,000 tons in 1952-55. About 36,000 tons of this gain was in peanut butter and about 7,000 tons in candy. Ample supplies of Runner type peanuts, perhaps with somewhat better quality, replaced decreasing supplies of Spanish peanuts.

This chart (9) shows that production, which was increased to provide oil for war-created needs, has been reduced close to current edible requirements by application of marketing quotas since 1949. Production of Virginias which was expanded least during the war has been reduced least. Since 1952, when marketing quotas as now operated became effective, diversion of surplus peanuts amounted to 235,000 tons of Runners; 44,000 tons of Spanish and 16,000 tons of Virginias. Unshaded portions of the chart show the diversion by types.

This chart (10) shows the average price relationships for the last five years as against the average for 1935-39. Peanut prices since 1948 averaged 335 percent of the 1935-39 level; consumer prices 190 percent and tree nuts 207 percent. Peanut prices have moved upward since 1945 at a more rapid rate than consumer prices. Tree nut prices have varied, tending to move in line with consumer prices.

This chart (11) shows that the total per capita consumption of peanuts since 1949 has been relatively stable and at about the 1935-39 level. Peanut butter has increased above the prewar level but other products have declined.

A number of facts not shown by these charts may be noted. Peanut production has varied substantially from the annual marketing quotas, but has exceeded edible requirements in most years. However, it fell

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below edible requirements in 1954 and has been inadequate to meet edible needs for some types in some other years when there was an overall surplus for the entire crop.

The U. S. farm price for peanuts as maintained by price supports from 1950 to 1955 has been more than twice as much as the farm price in Nigeria and the wholesale price in Mexico. In the period 1950-55 the U. S. produced an average of 766,000 tons of peanuts primarily for edible use while world production at prices near those indicated by the Nigerian and Mexican prices averaged 11,383,000 tons, used primarily for oil and meal.

The average farm price for peanuts from 1951 to 1955 was 11.3 cents per pound, while CCC received only 6.5 cents per pound for surplus peanuts diverted to domestic crushing for oil and meal or export.

In summary:

(1) Edible use of peanuts has grown very slowly in the postwar years with per capita consumption about holding its own for some products and declining for others.

(2) Changes in usage as among the types of peanuts have been associated mainly with supply. Supplies of Virginia and Spanish types of peanuts have been short in some years relative to demand. In view of trade and consumer preference it is doubtful that partial offsetting of these short supplies by use of Runner type peanuts has been satisfactory.

(3) Prices of peanuts have increased far more in relation to prewar prices than have prices generally or prices of competing products such as tree nuts.

(4) Production has been reduced by the use of marketing quotas but stable and adequate supplies have not been maintained, either in total or as among the types of peanuts.

(5) U. S. farm prices for peanuts have been maintained at more than twice the world price level for peanuts by CCC diversion of the surplus at prices not much above one-half the U. S. farm prices.

Now let us turn from analysis of the past several years to the 1956 crop situation.

Production of Spanish appears to be less than, production of Runners appears to be more than, and production of Virginia peanuts appears to be near the current level of edible requirements for the respective types. The overall surplus of all types in the crop now appears to range between 80 and 110,000 tons. To date about 29,000 tons of Spanish and 89,000 tons of Runner peanuts have been placed under loan, all in the Southeast. The Spanish peanuts probably will be redeemed and sold for edible use.

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Now for the outlook ahead. Per capita edible consumption of peanuts may show little increase as long as prices are maintained by support programs at levels which appear to be high relative to prices for competing products. Production of peanuts in terms of type, variety and quality probably can be modified in line with consumer preference. This seems to be dependent, however, upon development of types and varieties which can be produced by farmers in the Southeastern area with returns as good as or better than those obtained from Runner peanuts. Technical improvements are being made in production, harvesting, processing and marketing of peanuts which should result in some lowering of costs. Whether part or all of this will be passed on to consumers remains to be seen.

Some of you may have a question about the Soil Bank in relation to peanuts. The Soil Bank operation poses some special problems when it comes to peanuts. There is no big carryover of peanuts such as that accumulated for wheat and cotton over a series of years. Surplus has been disposed of from year to year by diversion. Application of the Soil Bank for peanuts for any given year could reduce the current crop enough to create a shortage in supply, thus leading to the troublesome problem of imports. Cost of reducing production through the Soil Bank would equal or exceed the cost of diverting an equivalent quantity of peanuts into domestic crushing or export.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

FAMILY LIVING OUTLOOK

Talk by Gertrude S. Weiss, Chief, Household Economics Research Branch, Agricultural Research Service, U. S. Department of Agriculture, at the 34th Annual Outlook Conference, Washington 25, D. C., Monday, November 26, 1956

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This is a broad topic and it is not possible to discuss all aspects of it. I propose to limit this paper, first, to the overall position of consumers for the country as a whole, and, second, to some of the available economic measures of the family living situation.

Families in this country have in recent years been raising their level of living at a fairly steady pace. Moreover, consumers also have changed their spending patterns in recent years by enough as to suggest a new order of consumer tastes and preferences. I intend to examine these trends, considering developments since 1948, for better understanding of the family living situation both now and in the near future.

First, we have had a steady increase in consumer income over the past 8 years, even on an after-income-tax and per capita basis. Only in 1949 was per capita disposable income appreciably below the year before. Second, over this period this measure of income has gone up more than have consumer prices. As a result, per capita disposable income, in constant dollars, was 15 percent above the 1948 level in 1955. In other words, consumers, as a whole, had 15 percent more income to spend or save, beyond what would have been needed to compensate for increases in consumer prices, or the 1955 average consumer had \$1.15 in dollars of equal value for every dollar the 1948 consumer had. And it looks now as if 1956 would be another year with a higher level of disposable income than the preceding year, after taking account of price increases.

Of course, these overall averages give only a general picture of the improving position of consumers in the balance between income and price changes. In using them, we realize that while all are affected in much the same way by increases in consumer prices, income increases are not so evenly distributed. Undoubtedly, there will be in the year ahead, as in years past, families whose incomes do not increase as much as do the prices they pay for goods and services used in family living. To these families, conclusions based on the general position of consumers do not apply.

Price increases for consumer goods and services are a matter of current concern because of increases registered by the Consumer Price Index this summer and fall. After 4 years with almost no change in the measure of total living costs for urban families, the Consumer Price Index has shown a 2-percent increase for September over a year earlier. And this increase has taken place mostly since last spring.

These years of comparative calm on living costs were really calm only by a cancelling-out process. Some kinds of prices, for example, those shown in the Consumer Price Indexes for rent, medical care, and public transportation were up, while others, such as food, apparel, and housefurnishings were down. So the higher levels of the past few months in this measure of total living costs and the prospects for the months ahead are largely the result of a change in this balancing process.

These two charts show selected group indexes for two measures of changes in living costs. From the Consumer Price Index we have charted two of the subindexes that have increased markedly, and two that until recently have been drifting downward, taking account of the considerable seasonal movement that the chart shows for food. From the Index of Prices Paid by Farmers, autos and auto supplies and building materials, at the top of the chart, have increased more than the indexes for food and tobacco and housefurnishings at the bottom.

The food component of the Consumer Price Index actually went down from 1952 until the low point reached early last spring. The index was 3 percent less in February 1956 than 4 years earlier. But since February the food price index went up and then down somewhat, in September standing 1 percent above a year earlier. The index of apparel prices, too, although still below the level of September 1951 has increased by 2 percent during the past year, affected especially by sharp increases in prices of footwear. As a result, food and apparel prices are no longer compensating for price rises for housing, medical care and miscellaneous goods and services.

The course of retail food prices is important to the understanding of prospects for living costs in the near future. This is because of the large part of the family budget accounted for by food and because of declining food prices in recent years when other kinds of prices were increasing. If, as now seems likely, food and apparel prices go up in the year ahead, it is extremely unlikely that prices of other goods or services will decline enough to take over this stabilizing function. Of all the groups in which consumer prices are summarized in the Consumer Price Index, housefurnishings is the only one that was lower this September than last. Some were up substantially, medical care by 5 percent in a year, transportation by 3 percent, solid fuels and fuel oil by 4 percent, and footwear by 7 percent.

Higher prices for fruits, potatoes, and other vegetables last spring and summer started the retail food price index upward. These were due chiefly to drought and unseasonable frosts--happenings that we would not necessarily expect next year. Higher meat prices were another element in the rise--but these were increases from a low level, compared with recent years. Retail meat prices in March 1956 were at the lowest point since May 1947 and 22 percent below the highest recent level reached in August, 1952. So that, while they have increased 9 percent since last spring, they are still low compared with what consumers have become accustomed to paying.

In the Outlook Issue of the National Food Situation, the Agricultural Marketing Service points out that food prices are now higher than in the fall of 1955 and are expected to continue above a year earlier in the first 4 to 5 months of 1957. This means that food will no longer be compensating for price increases of other goods and of services. However, if income continues to increase more than do consumer prices, we can continue to have, as we have in recent years, a rising level of living.

For an understanding of changes in consumer spending, on a national basis, we depend on the annual estimates of the Department of Commerce. These estimates have been put on a per capita basis, and expressed in 1955 dollars in the attached table. Total expenditures of consumers are up 14 percent since 1948 (per capita and in dollars of constant purchasing power). This means, then, roughly 14 percent better living, in terms of goods and services purchased, if we assume that increased purchases of goods and services provide better living, an assumption that seems to me reasonable. Again, we must remember that we are dealing with averages.

Furthermore, during the past 8 years, income has gone up more than have consumer expenditures, so that savings also were higher in 1955 than in 1948 (per capita and in 1955 dollars). And 1956 savings are reported to be running higher than for the comparable portion of 1955. In other words, increased purchases of consumer goods and services have not been at the expense of savings.

The increase in consumer spending has not been shared equally by all classes of goods and services. Automobiles--purchase and operation together--have been most favored, with food and housing in a fairly high position, and spending for clothing and for public transportation actually lower, in terms of dollars of constant purchasing power. Some shifts in consumer spending patterns would be expected with a rising income level, but the increases in expenditures for food and for user-operator transportation are greater than would be expected as a result of the income increase over the past few years. In short, consumers have been spending more on food and automobiles than needed to keep pace with rising prices, and even more beyond that than can be explained by their higher incomes. This indicates a new order of tastes and preferences, in which a higher value is put on food and automobiles and a lower value on clothing and public transportation.

This chart, which compares data from the joint ARS-AMS 1955 Survey of Household Food Consumption with data from a 1948 ARS survey, sums up the general situation for food expenditures. It shows average food expenditures of urban households for a week in each of the 2 years, 1948 and 1955. The average city family's food bill came to \$25.50 and \$32 for the week at the two dates. But, because I think it is what people have in mind when they refer to high food costs, we have shown the comparative importance of the different elements in the increase. The first is higher food prices. If the average urban family bought its 1948 market basket of food and food services at 1955 prices, it would have spent a little better than one-fourth of the \$6.50 increase.

The second segment shows that, because the average urban family was larger in 1955 than in 1948, it would need to spend more to maintain

the same level of food expenditures per capita. Of course, the overall figures on food expenditures used by economists are frequently on a per capita basis and thus take account of the larger population. But when food expenditures are considered on a family basis, we often forget that the family itself has changed.

It has been said that children are now regarded as consumption goods, so that the increase in food expenditures assigned by this chart to the larger size of the family are not "costs" in the same sense that higher food prices are. But, whether you think of the top half of the circle as representing chiefly higher costs or as having also some element of higher levels of living, the bottom portion of the circle is without doubt the increase assignable to a more expensive way of living. The larger share is accounted for by choice of more expensive types of foods. A smaller, but substantial share is represented by increased purchases of food eaten away from home.

This increase in food expenditures could not, of course, have taken place without an increase in income. However, the increase is considerably more than would have been expected on the basis of earlier relationships between food expenditures and income. In other words, consumers have increased their spending for food by more than would be needed to buy their earlier market basket of food at 1955 prices or to purchase the new market basket that our knowledge of previous income-consumption relationships explains.

We are now getting data from the 1955 Household Food Consumption Survey, some of which are summarized in the Chartbook. Comparisons with the data for city households obtained in our 1948 survey will tell us in detail of what this shift to more expensive kinds of food over this period consists. For a precise comparison a number of adjustments will need to be made to take account of differences between the two survey populations and differences in the way foods are classified in the tables. But the average figures available from the 1955 survey do at least show major changes and indicate that the more expensive diet of 1955 includes more meat, less potatoes, more frozen fruits and vegetables and less fruits and vegetables purchased in fresh, canned, or dried forms.

Despite increased consumption of frozen foods, it would be a mistake for us to conclude that the families in this country now live largely on frozen or precooked foods. The average urban household in this survey used 18.6 lb. of fresh fruits and vegetables (not counting potatoes) compared with 9.8 lb. of processed, a much smaller amount, even considering that the processed products contain little or no inedible material. Moreover, they spent nearly 50 percent more for fresh than processed fruits and vegetables. The "miscellaneous" group of foods, that included such items as TV dinners, frozen meat pies and the like, as well as old favorites such as canned soup, took only 4 cents of the urban household food dollar.

The next two charts, also from the 1955 Household Food Consumption Survey, give some additional summary data on food consumption and show differences among income groups. Continued increases in the real income

of consumers would lead us to expect greatest consumption increase for foods especially prominent in high-income, as compared with low-income household consumption. The first chart shows an increase of from 12 to 16 quarts of milk and milk products (excluding butter) from the \$2,000-2,999 income bracket to the \$6,000-7,999 level. Fresh fruits and vegetables (not including potatoes) are consumed in larger quantities than are processed fruits and vegetables, but the income change is greater, proportionately, for the processed than the fresh. Looking at these consumption differences in more detail, as in the tables in the Chartbook and in the complete tabulations to be published later, will throw considerably more light on the subject of income differences in consumption of specific foods, or foods grouped in different ways. For example, within the groups of processed fruits and vegetables, frozen fruits show especially large consumption differences by income.

The next chart shows consumption of meat, poultry and fish as 13 lb. in the low-income group and 16 lb. in the upper-income group. Consumption of bakery products shows an increase with income, and consumption of flour and cereals a decrease. In other words, higher-income households tend to buy more of their bread and bakery products and to use less of materials for home baking, cereals, and such foods as spaghetti and macaroni. Here again, analyses of the data in more detail will be useful. For example, we know from previous studies that some of the income differences as to consumption of flour and bakery products are not wholly income differences, because the South, with different food habits, makes up a larger share of the lower-income groups. Moreover, because low-income households average smaller, a correction for household size differences would change the relationships shown by the charts. Nevertheless, these two charts give a general picture of the additional consumption likely if consumers continue to have more money to spend for food.

Changes in farm family food practices have been even more marked. This chart shows a trend over a considerably longer period for farm families as to the relationship of purchased food to food produced on the home farm. The chart shows, since 1935, a steady increase in food expenditures. Expenditures for food away from home, though still small compared with city families, have increased markedly. The share supplied by home-produced food is down, although it is still substantial. (For this comparison this food has been valued at retail prices.)

The shift in consumer tastes and preferences to the automobile is even more marked than the changes in food consumption. It seems almost unnecessary to assemble evidence on the high rank of automobiles in consumer spending. As shown by the Department of Commerce reports on consumer expenditures, user-operated transportation increased by 56 percent from 1948 to 1955, compared with the 14-percent increase in consumer spending as a whole (in constant dollars). By 1956, 73 percent of the families in this country owned automobiles, compared with 54 percent in 1948.

The level of family living has been considered up to this point in terms of changes in consumer spending, which show a steady gain over the recent past, after adjusting for price increases. There are other elements in the level of living in addition to the spending of a given year, and we need to consider whether the correction would be upward or downward from the 14-percent increase in consumer spending, if we could measure these other elements in such a way as to add them together.

The only reason for a downward adjustment seems to me the extent to which increased consumer expenditures represent no more than a transfer of activities from the household to the money economy. If we were considering trends over decades, rather than recent years, a considerable adjustment would probably be needed, to take account of transfer of much of the making of clothing and household textile furnishings, bread baking and food canning from the household to the money economy. But over the period that we are considering today the shift has probably been slight. This is especially significant, considering that the number of married women in the labor market has increased by 1.9 million since 1950.

Widespread ownership of household equipment has been one factor in arresting the trend toward commercial substitutes for domestic labor. In fact, payments for laundering done outside the home are one of the few declining items of consumer spending. Per capita average expenditures in 1955 dollars 1/ are as follows:

1948	\$7.2	1952	\$6.1
1949	6.8	1953	6.1
1950	6.6	1954	5.9
1951	6.1	1955	5.9

Some shift of food preparation from home to factory has undoubtedly continued. Further analysis of the data from the 1955 Food Consumption Survey will give us more precise evidence on this. As I said earlier, the data already available show some shift from fresh, canned and dried to frozen fruits and vegetables. But the fresh still predominate in consumer purchases and we are not, as a nation, by any means living on frozen foods or new precooked dishes. In fact, such important ready-prepared foods as luncheon meats, canned soup, bakery products, and ice cream were well established in family food spending 8 years ago.

Consumer spending for durable goods has built up household inventories which add further to the level of living. A few illustrations give a rough idea of how this investment in consumer durables has grown. From 1948 to 1956, the percentage of wired homes with mechanical refrigerators increased from 77 to 94; the percent with washing machines went up from 67 to 84. During the 8 years 1948-55, nearly 30 million washing machines were sold, and over the same period 44 million automobiles. These purchases are enough beyond those needed for replacement and for the larger population that their rise makes an addition to the level of living, in addition to current consumer spending. The gain in percentage of households owning these durable goods is sufficient evidence on this point.

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1/ Using the Consumer Price Index for laundry services.

Increased leisure is another item that adds to the level of living, beyond the additional consumer expenditures for goods and services. The widespread practice of paid vacations is an illustration. Bureau of Labor Statistics surveys in the winter of 1955-56 showed that paid vacations are within the reach of nearly all the workers in the industries and areas surveyed. Virtually all of these surveyed can qualify for at least 1 week's vacation by completing a year's service and 1 out of every 6 office and plant workers can receive 4 or more weeks' pay after 25 years' service. Because these studies cover only 17 major labor market areas, the proportion of the total nonagricultural labor force with paid vacations would be somewhat smaller. Even this measure of paid vacations, along with the paid holidays and the shorter work week are good indicators of additions to the level of living beyond increases in consumer expenditures.

I have given examples of several kinds of measures of changing levels of living, and more illustrations could be developed. All of the economic data lead to the same conclusion--a fairly steady rise in the level of living. This appears to be a trend that we would expect to continue, given the income gains necessary to support it.

This is indeed a favorable and optimistic report on the family living situation, but all the evidence supports it. By way of tempering the optimism, I want to repeat the two qualifications that seem to me most important:

1. The Consumer Price Index advanced 2 percent during the past 6 months. Another 2 percent might not change the picture appreciably, but the relationship between price and income increases is a key one to watch in assessing the consumer's position.
2. I have interpreted today's assignment as an assessment of the overall position of the family, and we know that many problems are lost in the average. Some families have low incomes because of limited ability or opportunity to take part in the expanding labor market. Those with fixed incomes have difficulty adjusting even to a slight rise in living costs.

Spending trends of U. S. consumers, 1946-55,  
in current dollars and in 1955 dollars

Year	Food 1/	Clothing, jewelry, services	Per- sonal care	Housing		Medi- cal care	Transportation		Recrea- tion	Total 4/
				Total 2/	House- furnish- ings		Total 3/	User- operated		
Amount spent per person (current dollars)										
1946...	345	152	15	243	68	43	85	64	61	1,037
1947...	376	154	16	278	81	47	107	85	65	1,145
1948...	391	157	16	300	84	50	120	98	65	1,211
1949...	379	146	15	301	76	52	134	114	66	1,211
1950...	388	144	16	327	85	55	153	133	71	1,279
1951...	431	151	16	342	85	57	148	127	71	1,350
1952...	446	152	16	353	82	60	148	127	72	1,390
1953...	450	149	17	368	82	63	169	148	74	1,444
1954...	451	145	18	376	81	65	166	146	75	1,456
1955...	460	149	19	396	88	68	196	176	79	1,537
Amount spent per person (1955 dollars 5/)										
1946...	485	188	6/	6/	84	6/	131	93	6/	1,424
1947...	435	164	18	351	87	64	149	109	72	1,372
1948...	416	157	18	354	85	64	150	113	70	1,349
1949...	420	153	17	350	80	64	157	124	67	1,362
1950...	425	152	18	370	89	66	174	145	73	1,424
1951...	425	147	17	365	79	66	158	132	71	1,393
1952...	432	149	17	369	78	65	148	124	72	1,403
1953...	443	147	17	375	79	67	165	142	73	1,446
1954...	444	144	18	379	79	67	164	144	75	1,452
1955...	460	149	19	396	88	68	196	176	79	1,537

1/ Includes alcoholic beverages.

2/ Includes housing, housefurnishings, fuel, household operation, and laundry.

3/ Includes user-operated, purchased local, and purchased intercity transportation.

4/ Includes total personal consumption data not shown separately such as tobacco, funeral and burial expenses, personal business as bank and legal services, education, religious, and welfare activities, and foreign travel.

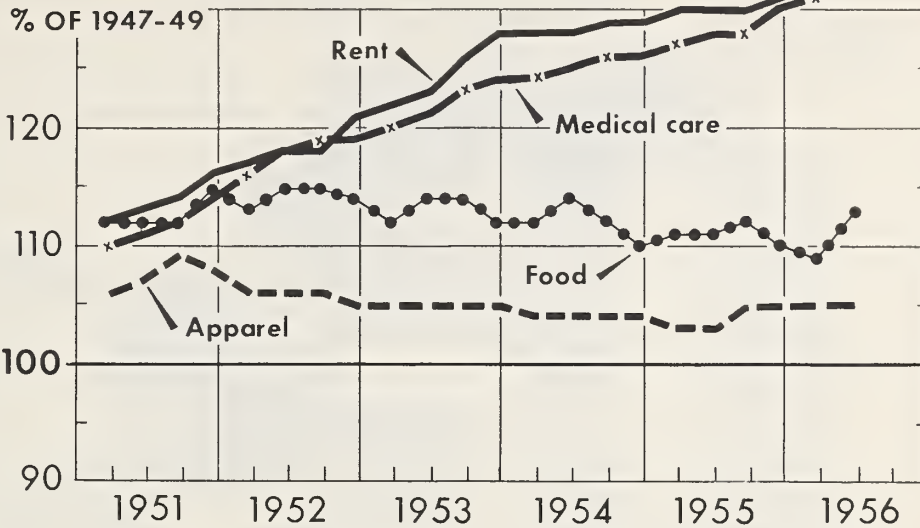
5/ Adjusted to 1955 dollars by the Consumer Price Index. The separate components of the Index were used for each category, as food, clothing, etc.

6/ Consumer Price Index not available.

Source: Derived from data of the U. S. Department of Commerce: Consumption expenditures from National Income, 1954 edition, for years 1946-51 and Survey of Current Business, July 1956, for years 1952-55; population data from U. S. Bureau of the Census, Series P-25, based on July 1 data for each year including armed forces overseas.

For Selected Items

## CONSUMER PRICE INDEX



BLS DATA, MARCH 1951-JUNE 1956 FOR URBAN WAGE-EARNER AND CLERICAL-WORKER FAMILIES

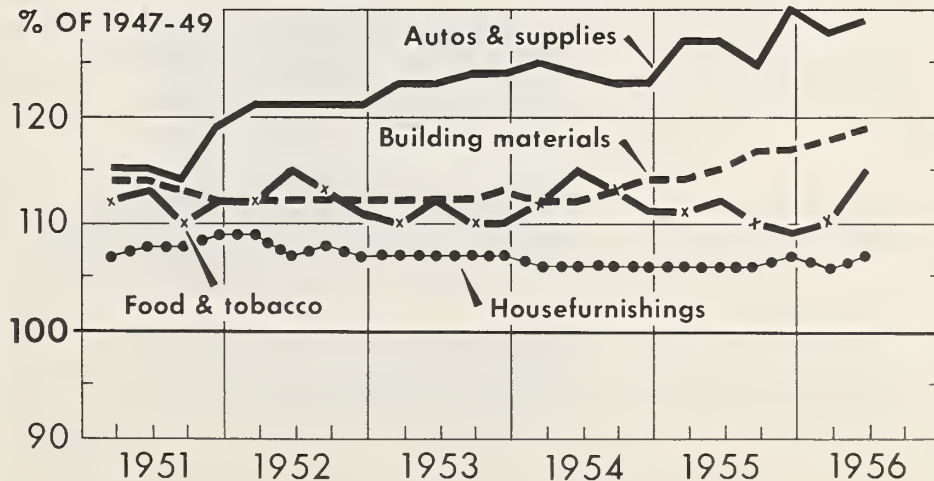
U. S. DEPARTMENT OF AGRICULTURE

NEG. 56 (10)-306 AGRICULTURAL RESEARCH SERVICE

For Selected Items

## PRICES PAID BY FARMERS

*For Family Living*



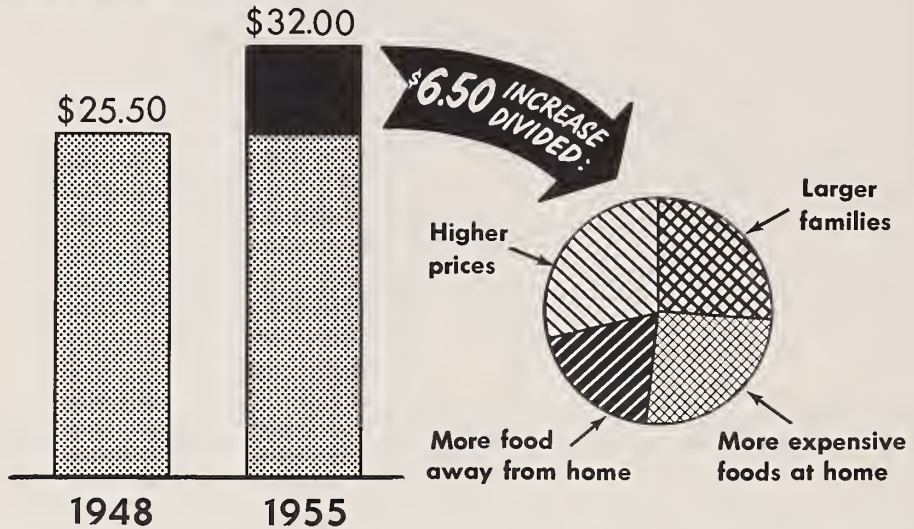
AMS DATA, MARCH 1951-JUNE 1956

U. S. DEPARTMENT OF AGRICULTURE

NEG. 56 (10)-303 AGRICULTURAL RESEARCH SERVICE

## CHANGES IN URBAN FOOD EXPENDITURES

Average family spending in a week:



U. S. DEPARTMENT OF AGRICULTURE

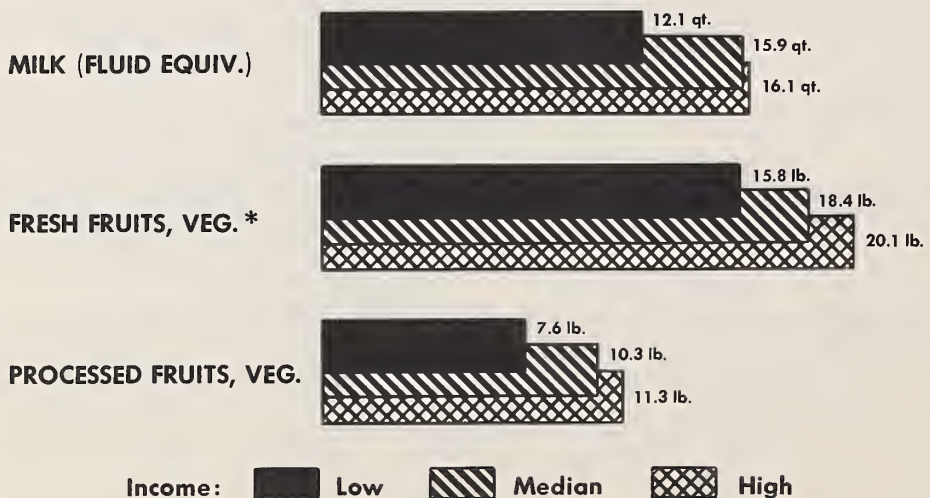
NEG. 56(10)-354

AGRICULTURAL RESEARCH SERVICE

## INCOME AND FOOD CONSUMPTION

*Per City Family, Spring 1955*

Food at home in a week



\* EXCLUDES POTATOES

U. S. DEPARTMENT OF AGRICULTURE

NEG. 56(10)-351

AGRICULTURAL RESEARCH SERVICE

# INCOME AND FOOD CONSUMPTION

*Per City Family, Spring 1955*

Food at home in a week



U. S. DEPARTMENT OF AGRICULTURE

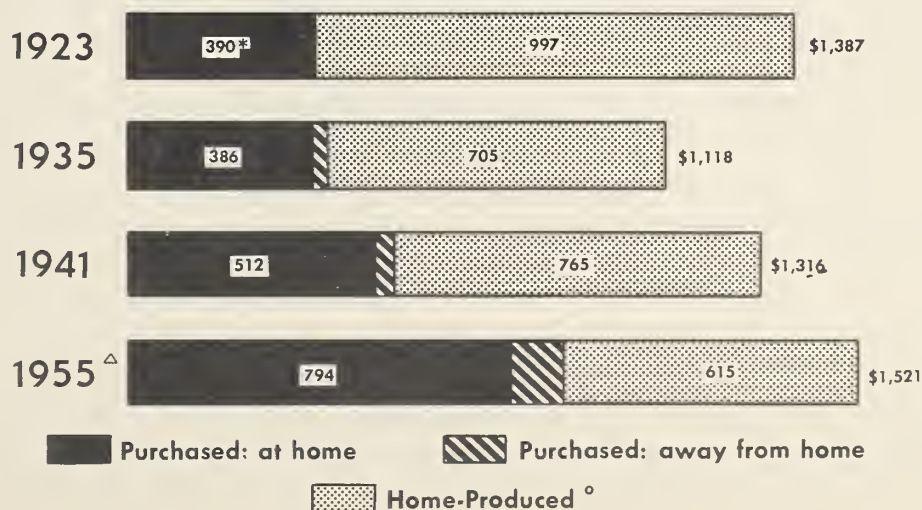
NEG. 56(10)-352

AGRICULTURAL RESEARCH SERVICE

# MONEY VALUE OF FOOD

*Farm Families*

Dollars per year (1955 prices)



\* INCLUDES AWAY FROM HOME

Δ PRELIMINARY: SURVEY WEEK, ANNUAL RATE

◊ RETAIL VALUE

U. S. DEPARTMENT OF AGRICULTURE

NEG. 56(10)-341

AGRICULTURAL RESEARCH SERVICE



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UNITED STATES DEPARTMENT OF AGRICULTURE  
Foreign Agricultural Service  
Grain and Feed Division

- - - - -

FAS OPERATIONS IN CONNECTION WITH MARKET DEVELOPMENT FOR GRAIN  
AND GRAIN PRODUCTS IN WORLD MARKETS

Trade Programs

Emphasis continues to be placed on encouraging export sales of grain and grain products for dollars. The objective is to move as large a volume of exports as possible through regular business channels, and dispose of CCC-owned stocks with a minimum loss to the Government. Of basic importance in that connection is the program of selling CCC-owned grain at prices which have been reduced to world market levels. In fact, none of the Government's special export programs would be likely to prove effective unless the grain were offered at world market prices. On a combined tonnage basis, approximately 30 percent of the nation's 1955-56 exports of food grains and 40 percent of the coarse grains exports represent cash sales.

However, postwar dollar problems and many foreign bilateral and regional trading arrangements, continue to impede export sales for dollars. Many countries wishing to buy from us are unable or unwilling to pay in dollars, but are willing to pay in their own currencies or to barter for needed grains. As a result, approximately 70 percent of the season's food grain exports and 61 percent of the coarse grains moved into export channels under one or more of the various agricultural surplus disposal programs authorized by Congress.

Operations under Titles I and III of Public Law 480 have proved to be especially effective in helping to move surplus grain and grain products into export channels. Title I provides for the sale of commodities to friendly nations for their own currencies, thereby helping them to meet their convertibility and dollar shortage problems while at the same time facilitating United States exports of surplus farm products. On a combined tonnage basis, 26.4 percent of the 1955-56 exports of food grains and 7.2 percent of the coarse grains were exported under that Title. Such sales not only enable grain exporters to hold their own in the face of increasing competition in world markets, but also to expand the volume of exports to a level considerably higher than otherwise would have been possible. Exports under Title I are expected to continue at a high level during 1956-57.

Title III provides for the exchange of CCC-owned farm products on a barter basis for (1) imports of such strategic raw materials as are needed by the United States for stock-piling purposes and (2) for such other materials, goods, and equipment as are required by United States governmental agencies

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in connection with their foreign economic and military aid and assistance programs, off-shore construction programs, etc. On a combined tonnage basis, 19.2 percent of the 1955-56 exports of food grains and 46.2 percent of the coarse grains moved abroad under barter and such sales in 1956-57 are expected to continue in at least as large a volume as in the preceding year. Barter operations have the two-fold result of effecting procurement of essential goods and services without expenditures of dollars and of assuring and facilitating the exportation of CCC-owned farm products of an equivalent value.

Large quantities of grain were also moved into export channels during 1955-56 under the provisions of Section 402 of P.L. 665 (Mutual Security Act, 1954, as amended). This law authorizes the use of economic aid funds to finance the sale of surplus United States farm products for foreign currencies. It is estimated that during the year ending June 30, 1956, 19.7 percent of the country's food grain exports and 6.6 percent of the coarse grains were exported under the provisions of this Act.

#### Market Surveys and Analysis

Grain Marketing Specialists have visited virtually every important market in the world in an effort to determine market prospects for United States grain and grain products and help remove impediments to larger sales abroad. In that task they have received the wholehearted support of United States exporters as well as that of the various agencies of the Department of Agriculture in Washington, and agricultural attaches and other U.S. representatives abroad. The efficacy of their efforts, in conjunction with (1) competitive pricing by CCC, (2) aggressive selling by U.S. firms, (3) facilitation of exports through barter, economic aid and sales for local currencies and (4) relief shipments is well illustrated by the expansion in our exports of grain and grain products from less than 10 million tons in 1953-54 to more than 17 million tons in 1955-56.

(a) At the request of the American flour milling industry a grain marketing specialist spent three weeks in West Africa in the fall of 1954 getting information on the capacity and operation of a new mill in Dakar, French West Africa, and investigating the refusal of Gambia and Sierra Leone to issue import licenses for U.S. flour. This matter was cleared up and U.S. exporters were once more active in the flour market of those areas in 1955-56.

(b) During two weeks in the fall of 1955, visits were made to Central America and Caribbean countries for the purpose of investigating feed grain marketing and processing facilities and the potential demand for mixed feeds for poultry and livestock. As a result of the information obtained during this investigation, a number of representatives of United States feed manufacturers made personal visits to the area. The over-all result has been substantially increased sales of mixed feeds, feed concentrations, and feed grains in Central American and Caribbean countries.

(c) A grain marketing specialist, accompanied by representatives of the Millers' National Federation and the Oregon Wheat Growers' League, went to the Far East in 1954 to make plans for a broad program to promote sales

for United States grain and flour in that part of the world. As a result, joint educational, advertising, and trade promotional programs are now being carried on by United States industry groups and local millers and bakers in Japan. While in Manila discussions between this group and Philippine Government officials were largely responsible for obtaining the removal of existing restrictions on wheat and flour imports.

#### MARKET DEVELOPMENT PROJECTS

(a) Japan: In order to stimulate increased interest in United States grain and grain products in Japan, a project was initiated for the purpose of increasing Japanese consumer demand through nutrition demonstrations among consumers, education of Japanese community leaders, and training of Japanese food extension workers and bread bakers in the proper preparation and use of wheat products. The primary objective is to expand Japan's per capita consumption of wheat products by providing the people with information about the value of including such products in their diet and encouraging action aimed at improving the quality of Japanese diet.

(b) Colombia: A project has also been initiated to promote increased consumption of wheat products in Colombia and thus expand the Colombian market for United States wheat and flour. The project, which is now underway, provides for the distribution of nutritional material, holding of wheat food demonstrations, and use of advertising pertaining to wheat products.

(c) Far East: A representative of the Oregon Wheat Growers' League recently visited a number of countries in Asia to assist representatives of FAS in connection with market development activities for wheat and flour. A special effort is being made to develop closer working relationships with Asian Government officials who purchase these products and industry representatives who use them.

A Japanese wheat delegation visited the U.S. in September. This visit was carried out under a cooperative arrangement between the Department and the Oregon Wheat Growers' League. This is a fine illustration of cooperation. This group came to the U.S. to learn more about the kind of wheat produced in the Pacific Northwest and to consider its properties in relation to the specific import requirements of Japan. This visit by the Japanese was but one of several export promotion activities for wheat with which the Department is concerned.

Under a similar arrangement with the Division of Wheat Development, Utilization and Marketing of the Nebraska Department of Agriculture and Inspection, a group of leading Italian Wheat Specialists recently visited Nebraska, Kansas and Oklahoma to study the handling, quality and use of our hard red winter wheat in relation to Italian requirements. Tentative plans have been made for a group of Greek wheat experts to visit the United States during the spring months. We regard these visits of foreign groups as an important phase of our market development program for grain and grain products.

#### International Trade Fairs

International Trade Fairs provide American industries handling and manu-

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facturing grain and grain products for export an excellent opportunity to bring their commodities to the attention of consumers in foreign countries. During the past year the Foreign Agricultural Service with industry support and collaboration, participated in two fairs. The primary objective is to build up the prestige and create a demand for United States grain and grain products. This is done through displays of the various classes and grades of grains and grain products available in the United States and distributions of samples made therefrom.

(a) At the second International Industries Fair held in Bogota, Colombia, which was attended by approximately 1 million people, the United States exhibit, put on under a cooperative arrangement between the Department and the Millers' National Federation, included a display of the various classes and grades of American feed grains, cake mixes, and breakfast foods. Half-pound loaves of bread made of high quality U.S. flour and cakes baked at the exhibit from U.S. flour mixes were distributed to people in attendance. The baking was done in a model U.S. kitchen. The bread distributed included 4% of American powdered milk, the first time powdered milk was used in bread baking in Colombia.

The Bogota Fair not only gave thousands of people an opportunity to inspect an exhibit of U.S. grain and breakfast foods, but also to sample U.S. bread and cake. In addition, it was responsible for bringing together Colombian bakers who formed an association immediately following the fair to encourage increased use of wheat products in Colombia.

(b) Under a cooperative arrangement between FAS and the Oregon Wheat Growers' League, we also participated in the Japanese International Trade Fair in Osaka, Japan. This Fair was attended by approximately 400,000 people. American type sweet rolls were distributed. The United States exhibit included separate booths for preparing bakery products and boulgour (a wheat product). It also included displays of wheat foods made in Japan and wheat and barley classes and grades available for export from United States West Coast ports. In addition, an animated mechanized grain combine and blown-up photographs of U.S. wheat harvest scenes were displayed.

This Osaka exhibit not only provided an opportunity for presenting the wheat food story to thousands of people, but also for demonstrating the excellent quality of American flour, cake mixes, and boulgour and for making those in attendance acquainted with U.S. classes and grades of grains. Promotional activities designed to increase per capita consumption of U.S. grain and grain products were initiated in Japan immediately following the fair.

#### Industry Activities (Other than 104-a)

United States exporters of grain and grain products are represented throughout the world by men whose daily task is to make sales on competitive markets. These firms are in constant touch with CCC, FAS, ICA and other Government agencies whose policies and activities affect their sales abroad. Our own marketing specialists cooperate very closely with these representatives. In addition, the marketing specialists meet frequently with U.S. trade groups in Washington, New York, Chicago, Kansas City, Minneapolis, St. Louis, Portland, Seattle, and elsewhere. By such personal contacts

they are kept advised with respect to existing obstacles to the movement of these products into export channels and what Government activities, policies, and programs, in the opinion of the industry, can best remove impediments to trade expansion.

Feed manufacturers in the U.S. are also becoming quite active in world export markets, especially in the Latin American and Caribbean area and in Southern Europe. These firms have agents in many foreign countries and their salesmen visit those countries at frequent intervals. As a rule, they sell complete feeds in countries where the import tax is not prohibitive and work closely with foreign producers of broilers, eggs, and milk. In fact, they are contributing to the rapid development of these industries in some of the countries. In a number of countries, they have contracts with local feed manufacturing firms, furnishing them with formula, concentrates, and laboratory services. However, many countries also find it necessary to import feed grains from the U.S. The feeding of balanced mixed feeds to poultry and livestock in foreign countries has made rapid progress in the last five years. Much of the credit for this development belongs to American feed exporters. FAS is rendering valuable service both to manufacturers and exporters of mixed feeds and to exporters of feed grains by providing them with timely information on all developments abroad affecting foreign competition and demand for their products.

#### Market Information and Services

The dissemination of timely information on prospects for the sale in foreign countries of United States grain and grain products, is one of the important services of FAS. This service is aimed at keeping producers, producer organizations, millers and processors and exporters informed concerning actual import requirements in deficit and competitive export availabilities in surplus areas. It is also aimed at helping them to take full advantage of their opportunities in world markets and to adjust their production and marketing programs in accordance with changing world supply and demand conditions.

Basic information needed for this service is obtained from (a) Agricultural Attaches; (b) U.S. Embassies and Consulates in countries where the United States Government does not maintain an Agricultural Attache; (c) the various trade and market reports published in foreign countries; and (d) surveys by specialists sent abroad from time to time by the FAS to conduct on-the-spot investigations of developments and factors affecting or likely to affect the competitive status of U.S. farm products in world markets.

The information thus obtained is appraised and disseminated to the nation's producing and trading interests through usual Departmental media of news dissemination. These include the preparation of interpretative reports for publication in Foreign Crops and Markets and Foreign Agriculture, issued weekly and monthly, respectively; press releases and special reports for trade and other publications; speeches by marketing specialists at gatherings of producers and exporters throughout the country; radio and television broadcasts which reach directly into the farm home; personal conferences with producer and trading groups in the various producing and trading centers

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of the country; attendance of marketing specialists at meetings in various parts of the country of committees and other groups concerned with developing, maintaining and expanding export outlets for the specified commodities; and by a large volume of correspondence.

In addition, the interests of these groups are served by our marketing specialists traveling abroad in stressing in their contacts with Foreign Government officials, trading agencies, importers and consumer groups, such factors as the desirable quality and favorable price of the United States product and the ability of our exporters to maintain deliveries in accordance with the needs of the importer.

# FLUE-CURED AND BURLEY PRICE PATTERNS 1/

By Stephen E. Wrather, Director, Tobacco Division,  
Agricultural Marketing Service

The 1956 flue-cured tobacco marketing season saw a continuation of the disturbing price patterns which existed on the flue-cured markets during the 1955 season. Most observers in close touch with the market freely predicted long before the markets opened that these price patterns would prevail for the 1956 crop. In this connection it is generally agreed that filter-tip cigarettes are playing an important role. However, quality of tobacco produced was also an important factor. The 1955 and 1956 crops of flue-cured contained unusually large quantities of pale colored leaf which buyers felt lacked the flavor and aroma normally associated with United States grown flue-cured. The disfavor for these qualities probably compounded the shift in the demand pattern toward the more aromatic heavier-bodied grades.

An analysis of flue-cured and Burley prices for the past several marketing seasons shows that changes in grade price averages and differentials were gradual until the 1955 season. However, the 1955 price level was sharply higher for heavier-bodied grades which as a group averaged 65 to 70 percent higher than during the previous season in the case of Burley and about a third higher for flue-cured. The percentage of heavier-bodied grades in the 1955 Burley crop was unusually small which was an additional factor in the extremely high prices paid for these qualities. In contrast prices for the thinner-bodied grades declined somewhat during the 1955 season and undoubtedly would have dropped sharply in the absence of price support. The loan rates were lowered slightly on this group for the 1956 flue-cured crop and the average market price showed a further decline during the season just ending. However, the heavier-bodied grades showed another slight increase over last year's relatively high levels.

The changes in the market price levels are illustrated by the table shown below. Since there are over 120 grades in each of these kinds of tobacco, representative and related grades were combined into groups with emphasis for grouping purposes on body or leaf thickness. The price levels for the groups are expressed as percents or indexes of the 1947-51 level.

Flue-cured and Burley Tobacco: Index of Grade Price  
Levels by Grade Groupings, 1952-1956 Crops

## FLUE-CURED

Grade Groupings*		Market Prices by Grade Groupings as Percent of 1947-51 Average				
		1952	1953	1954	1955	1956
		Pct.	Pct.	Pct.	Pct.	Pct.
Thin to Fairly Thin	(CL, CF, XL, XF)	110	112	110	108	105
Medium-Bodied	(BL, BF, HL, HF)	113	114	111	109	109
Medium Heavy-Bodied	(BR & HR)	122	117	124	132	134
Heavy-Bodied Dark	(BD & BS)	112	108	104	152	156
Green	(BGL, BGF, BGR)	119	109	112	128	134

## BURLEY

Thin to Medium	(CL, CF, XL, XF)	110	106	105	103
Medium-Bodied	(BF & TF)	114	110	104	118
Medium Heavy-Bodied	(BFR & TFR)	114	112	102	131
Heavy-Bodied Red & Dark	(BR, BD, TR & TD)	107	110	103	166
Green	(BGR, BGF, TGR, & TGF)	108	100	96	165

\*Does not include all grades but is representative of related groups of grades.

1/ Prepared for the Tobacco Commodity Session of the 34th Annual National  
Agricultural Outlook Conference, Washington, D. C., November 26-29, 1956

Historically, market prices for heavier-bodied grades in relation to loan levels have been relatively low and as a consequence large quantities of these grades moved under loan and represented a substantial part of loan holdings. In more recent years as a result of "changed buying patterns" only limited quantities of these heavier-bodied grades have moved under loan and loan holdings from prior crops have been almost completely liquidated. In the meantime, however, large quantities of the better grades have moved under loan and currently the better grades, rather than the medium to low-quality grades, constitute the bulk of loan holdings.

Reconstituted or homogenized tobacco is becoming increasingly important although it has not been used extensively in the manufacture of cigarettes. In the homogenization of tobacco, particularly as it relates to cigar leaf, processes similar to those used in paper making are employed. Leaf tobacco, perhaps a limited amount of stems, scrap tobacco, and trimmings are pulverized and the pulverized materials reduced to a pulp or liquid. The liquid or pulp, which contains some cohesive agent, is converted to a "tobacco sheet." This tobacco sheet in varying widths is rolled on spools and stored or kept for product utilization. This process was first developed in connection with cigar binder tobacco. Currently a number of cigar manufacturers are utilizing reconstituted tobacco for binders in lieu of natural leaf tobacco. It is anticipated in view of the savings, both in labor and leaf costs, that the use of reconstituted binders will be extended to the majority of cigars in the not too distant future.

It is generally accepted that some of the cigarette manufacturers are equipped to make a reconstituted tobacco sheet. It has been strongly suggested that some of the cigarette manufacturers have used a limited amount of reconstituted materials in their cigarettes. Reconstituted materials offer more advantages to cigar manufacturers than to cigarette manufacturers. This results from the labor savings effected in cigar making, whereas these advantages do not accrue to cigarette manufacturers since their processes are almost entirely mechanized.

With respect to cigarette tobaccos, homogenization, because of its potentialities, is most important. Utilization of reconstituted tobacco has the effect of reducing leaf requirements, but since quantities currently used are relatively small, it is not considered as a major factor in the distorted flue-cured and Burley leaf prices. In addition to the composition of the cigarette market, quality of tobacco being produced is an important factor in currently prevailing market prices. There seems to be general agreement that currently some grades of tobacco that historically have been top quality do not possess the characteristics formerly associated with these tobaccos. Some of these tobaccos or grades of tobaccos are referred to as "neutral," or lacking in aroma. New varieties, closer spacing in the row, and excessive use of fertilizer are frequently mentioned in connection with these neutral or currently undesirable tobaccos. In the cigar-leaf areas the impact of homogenization on leaf purchases, etc., is quite evident.

Reconstituted leaf is causing serious concern in connection with the Tobacco Stocks Report. For example, what type of reporting of reconstituted material should be required in connection with this report? The Tobacco Stocks Report is for the purpose of providing statistics on holdings of leaf tobacco stocks by dealers and manufacturers. Currently for reporting purposes leaf tobacco loses its identity as such when converted into homogenized material and thus until a change is made in the scope of the Stocks Report reconstituted leaf will not be reported. Perhaps in the future it will be necessary to develop a procedure for separate reporting of stocks of homogenized materials as well as obtaining information on its production.

The marked deviations in grade price patterns as they relate to tobacco grade standards are another matter of concern. Should grade standards reflect market values, or should grade standards segregate tobacco into quality groupings predicated on plausible factors without regard to market values? With the possible exception of recent market experiences, the U. S. grade standards have accomplished each of these objectives. The quality ratings have reflected market values and the standards are predicated on plausible physical factors. In the light of current experiences it may be difficult, or certainly it will require a readjustment in quality concepts, to continue a system of grade standards that will segregate tobacco into quality groupings and at the same time reflect market value. The evaluation and appraisal of this important problem will require careful and intensive review.

Prior to the opening of the markets for the 1956 season new subgrades which were established for flue-cured tobacco to cover the pale leached leaf that showed up in significant quantities during the 1955 season. There are 13 of these grades falling in the leaf, cutter and lug groups. During the 1955 season these pale tobaccos were placed in the straight lemon colored grades which made the range in color entirely too great. Some pale leaf shows up in almost every crop but last season was the first time that a definite need was felt for subgrades to take care of this factor. The grade standards for the new LL subgrades have the same description as the straight L's except for color. The tobacco inspection service does not in any way identify varieties in grading tobacco.

Foreign countries producing flue-cured tobacco, generally speaking, have been unable to duplicate the desirable flavor and aroma of our leaf and this has been a principal factor in the maintenance of the level of exports. Statements have been made by importing countries that the pale and neutral tobaccos showing up in large quantities on the flue-cured markets during the past two seasons are no better than that produced by many of our competitors. Many of the grades that have shown tremendous price increases during the past two seasons are "export grades". Therefore, the adverse factors affecting exports of flue-cured are twofold, namely, (1) the countries normally buying higher "quality" grades are experiencing serious difficulty in obtaining leaf with desirable flavor and aroma, and (2) the shift in buying emphasis to lower "quality" or more aromatic grades and resulting price patterns are jeopardizing the exports to countries normally relying on these grades. In the case of Burley tobacco, it is largely a matter of resulting price

levels rather than pronounced quality changes as in the case of flue-cured. With exports of flue-cured accounting for approximately one-third of the production, growers and farm leaders need to find the answers to these basic problems. While exports of Burley make up a considerably smaller share of total disappearance than in the case of flue-cured, they are important and the price squeeze comes at a time when there was a good possibility of registering some gains. It seems almost inevitable that exports of Burley will be curtailed to important outlets normally buying lower priced grades.

The supply and demand picture for the different types of tobacco as well as tobacco products is discussed in the Outlook section of this report.

FOREST PRODUCTS PRICE REPORTING IN NEW HAMPSHIRE

By: K. E. Barraclough - Extension Forester

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The first annual New Hampshire Forest Market Report was published in the year 1936 - twenty years ago. It has appeared each year since except during the war years. Farmers, woodland owners, lumbermen, operators and foresters use the report as a guide in buying and selling stumpage and forest products. Three thousand or more copies of the report are available during the late winter or early spring. It is placed in the hands of those interested in forest products price information.

The contents of information in the annual Forest Market Report remains about the same each year. Current information relating to price reporting is often included in the report. For example a few years ago we included in the bulletin guides for preparing timber sale agreements. There was so much interest in the agreements we prepared Extension Multilith #2 - "Guides for Preparing Timber Agreements." Because of the demand for this publication it has been necessary to make a second run.

The information included in the 1956 Forest Market Report is summarized.

A statement covering the Forest Market Situation at the National and State levels outlines the forest market situation. This information was taken from the report entitled "The Demand and Price Situation - Forest Products 1956." It was prepared by the USFS and the Commodity Stabilization Service, USDA. The statement of situation was also based on our own observations of the New Hampshire Market for Forest products in January and February 1956.

We included recommendations for selling stumpage and forest products. Woodland owners who plan to sell stumpage, logs, pulpwood, or other forest products are urged to consider nine specific suggestions before selling.

An explanation of the assistance rendered by the New Hampshire County Foresters is outlined. These names and addresses, with telephone numbers, are listed.

The range of prices for stumpage, forest products, and operating costs is presented in seven separate tables. In presenting the price information, attention is called to the fact that quality, quantity, location, logging chance, demand, and other factors affect the prices paid for stumpage, logs, pulpwood, piling, poles, Christmas trees and other forest products. We also note that prices quoted are within an average minimum and maximum range. One table shows operating costs for felling and bucking, yarding, and trucking. In order to get some comparison of lumber prices to stumpage values we include a table showing the wholesale price list for white pine, hemlock, and spruce, FOB at a southern New Hampshire lumber yard.

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Prepared for presentation at the 34th Annual National Agricultural Outlook Conference, November 27, 1956, Washington, D. C.

The remainder of the bulletin is given over to a listing of stumpage and forest products buyers including Christmas tree handlers. The names of consulting foresters, estimators, and surveyors are included. The stumpage and sawlog buyers are listed by counties and by towns in the counties. We show whether the buyer operates a sawmill, kind of material purchased, and how it is purchased, stumpage, roadside and delivered. We also show whether the buyers with sawmills do custom sawing. In this group we have named over 400 New Hampshire buyers of stumpage and forest products. We name 75 buyers from out of state who purchase stumpage and logs in New Hampshire, 74 specialty buyers such as birch, bolts, veneer logs, etc., 20 pulpwood buyers representing eight pulpwood companies, 3 excelsior wood buyers, 7 buyers of poles and piling, and 47 dealers in Christmas trees and greens. The partial list of consulting foresters, timber estimators, and surveyors number more than seventy.

We list only individuals and companies that want their names to appear in the bulletin. Even though we make the following statement in listing names in the Forest Market Report we often get critical letters from individuals or companies because their names are not included.

"Names of forest product buyers and other persons listed are offered without recommendations or preference. Omission is not a reflection on the integrity of any person. Any buyer not listed and interested in being listed in future reports, please contact your County Forester or Extension Forester."

I am sure that a research person would say that we are not scientific in gathering our price information and the way we compile it. The County Foresters in their respective districts during the early winter contact millmen, buyers, woodland owners, professional people, and others for price information covering stumpage, forest products, and operating costs. They also compile the names of buyers of stumpage and forest products and consulting foresters. If the forester has been in his district a few years much of the information is obtained by mailing out a questionnaire. We insist that a representative number of individuals be contacted in person. The minimum and maximum prices are averaged to give average price ranges.

The County Foresters in gathering, once a year, price information covering stumpage, forest products, and operating costs are kept informed about the market for forest products in their respective districts.

I am confident that the bulletin is valued by the New Hampshire woodland owners and others, especially after a prominent lumberman told me a number of years ago that in his opinion it was the worst publication printed by the University.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

GENERAL ECONOMIC OUTLOOK FOR 1957

Talk by Nathan M. Koffsky  
Agricultural Economics Division  
at the 34th Annual Agricultural Outlook Conference  
Washington, D. C., November 26, 1956

This year, again, we meet in a setting of an expanding economy which has attained new highs in output, employment and incomes. This has occurred despite some slackening in home building, automobiles and farm machinery. Once again, prospective increasing demands from consumers, from business and from government point to further gains in the year ahead.

Total expenditures in the economy increased some 17 billion dollars, or 4 percent, between the third quarter of 1955 and the third quarter of 1956. This was about one-half the growth in demand which occurred in the preceding year and not much different from the rate we associate with normal economic growth. But this year, increases in production to meet growing demands in some sectors have come harder. We have had continued relatively full employment and the pool of manpower available for new jobs has been largely limited to that provided by additional growth in the labor force. Fortunately, the influx of women and young people has continued high and the labor force has grown by more than a million over the past year. Unemployment remains at the same low level of a year ago, about 2 million persons or 3 percent of the labor force. For some industries, output is close to capacity. Price increases have become more widespread. Money is tighter and interest rates have risen to the highest levels in a quarter century.

A year ago, we had a stable price level overall as increases in the non-farm segment were offset by price declines in farm and food products. Now, prices of farm products and foods are slightly higher than a year ago while other prices have continued to move up. Currently, the HLS all commodity wholesale index is 3 1/2 percent higher than a year ago. Prices of industrial products have risen some 4 percent and in some segments such as metals and metal products, and machinery increases average some 7 percent. At retail, both the HLS index of consumer prices and the AMS index of prices paid by farmers are up about 2 percent. Substantial increases have occurred in service rates, particularly those associated with medical and personal care.

The table below summarizes the growth in demands which occurred in the economy between the third quarter of 1955 and the same quarter of 1956. It is noteworthy that all 3 major sources of demand increased their expenditures during the year. Consumer expenditures rose some 9 billion dollars, or almost 4 percent. This year, as last year, the increase in consumption expenditures accounted for over one-half of the total gain. Private investment rose 4 billion dollars, or about 7 percent, while government purchases of goods and services increased close to 4 billion dollars, or 5 percent.

Gross National Product  
Third quarters 1955 and 1956  
(Seasonally adjusted annual rates)

	Third quarter 1955 <u>Bil. Dol.</u>	Third quarter 1956 <u>Bil. Dol.</u>	Change from 1955 <u>Bil. Dol.</u>
Gross National Product	396.8	413.8	+17.0
Personal consumption expenditures	257.8	266.8	+ 9.0
Durable goods	37.2	33.0	- 4.2
Nondurable goods	127.6	134.0	+ 6.4
Services	92.9	99.7	+ 6.8
Private investment	62.5	66.8	+ 4.3
Residential construction	17.2	15.5	- 1.7
Non-residential construction	16.3	18.1	+ 1.8
Producers' durable equipment	25.0	29.5	+ 4.5
Change in business inventories	3.7	2.0	- 1.7
Net foreign investment	0.2	1.7	+ 1.5
Government purchases of goods and services	76.5	80.2	+ 3.7
Federal	46.6	47.2	+ 0.6
National Security	(41.3)	(41.9)	(+ 0.6)
State and local	29.9	33.0	(+ 3.1)

U. S. Department of Commerce  
Totals may not add due to rounding

Turning now, in somewhat more detail, to the consumer sector we see a substantial drop in expenditures for durable goods, notably automobiles, between the third quarter of 1955 and the same quarter of 1956. Last year, consumers purchased close to 7 1/2 million automobiles. This year, the rate of sales may turn out to be fairly close to 6 million cars. This is a decline of about 20 percent. However, cars are more expensive this year, including much new equipment, and the decline in expenditures has been much less than the drop in the number of cars sold. On the other hand, expenditures for nondurable goods, including food, and for services, rose about in proportion with the 5 percent increase in consumer income after taxes. But with reduced outlays for new automobiles, consumer expenditures in total have risen less over the past year than consumer incomes. The rate of savings out of current income has risen appreciably from last year's relatively low level, from 5.8 percent to 7.4 percent. While personal savings in the form of deposits in banks and savings and loan associations continued to rise, the change in the savings rate from last year was very substantially the result of heavier repayments on consumer debt. Recently, the amount of consumer credit extended each month has been not much different than a year ago, with less

new credit for automobiles but more for other kinds of loans. However, monthly repayments have increased and are approaching the level of credit extended. Total consumer credit outstanding increased some 1 1/2 billion dollars in the first 9 months of this year. In the same period a year ago, it rose about 4 billions. Even so, consumer credit outstanding now represents about 14 percent of consumer income after taxes, a new record high.

Over the past year, the rise in consumer incomes provided an increase in per capita purchasing power of about 1 1/2 percent, despite continued population growth of over 1 1/2 percent, or close to 3 million persons, and a price rise of some 2 percent at retail. Even with much smaller purchases of automobiles, the average consumer continued to buy about the same total of goods and services in the third quarter of this year as in the same period a year ago.

The growth in investment expenditures over the past year contributed much to the upward push in the economy. It is in this sector that price pressures have built up most. The overall change in the investment sector masks important divergent trends with a decline in housing much more than offset by the largest program of business investment in new plant and equipment in our history. Outlays for residential construction in the third quarter of this year were down 10 percent from the same period of 1955. New housing starts have declined to a level of about 1 million units a year, approximately 20 percent below a year earlier. Here again, expenditures are not down as much as the number of units, as the trend is toward larger and more expensive homes. Mortgage credit is tighter and more expensive than a year ago. Nevertheless, the increase in mortgage debt in the first half of 1956 was 5.8 billion dollars, not much under the 6.5 billion dollar increase in the same period of 1955.

But other private construction, particularly industrial and commercial building has taken up the slack. Total private expenditures for construction in the third quarter of this year were about the same as a year earlier. Public construction outlays, which are included in the government sector, were substantially higher. Construction costs have continued to rise, about 5 percent over the past year. Farm construction apparently was a little lower this year than last.

The biggest increase of all occurred in producers' durable equipment, up some 18 percent over the past year. This was in the face of a substantial drop in farm purchases of tractors and other farm machinery to a level where new investment in these items was much less than the rate of depreciation. Business outlays for new plants and equipment have increased steadily since early 1955. According to a recent report of the Securities and Exchange Commission and the Department of Commerce, business intended to spend some 22 percent more for plant and equipment in the third quarter of this year than in the same quarter of 1955. Further, business intentions for the fourth quarter of this year indicate that the rate of increase of about 5 percent each quarter is being maintained. Even with prices of heavy machinery running close to 10 percent higher than a year earlier, it seems clear that substantial increases in industrial capacity and in efficiency are being realized. While depreciation reserves and retained profits continue to provide most of the funds, corporations have financed a larger part of their new plant and equipment from external sources this year. New corporate security issues have increased and even in the face of a tighter credit situation, commercial bank loans to business have risen more this year than last.

The change in the business inventory segment has been relatively small over the past year in contrast to the big swing from inventory liquidation to accumulation which occurred between 1954 and 1955. Business is still accumulating inventories although at a slower rate than in the third quarter of 1955. While the total level of business inventories has risen more than business sales over the past year, stock-sales ratios at both the manufacturing level and the retail level are still not as high as they were in 1953 and 1954.

Finally, in the investment sector, the contribution of our transactions with foreign countries has been a plus for economic activity here. Boom conditions have continued in foreign countries as well as here. In recent months, our commercial exports have been running about one-fourth higher than a year ago. Our imports are up some 5 to 10 percent.

In the government sector, expenditures for goods and services have increased significantly for the first time in three years. This is due not so much to activities of the Federal Government as to a continuation of the uptrend in State and local government outlays for schools, highways and sewer and water systems. National Security outlays have increased slightly. These activities now account for 10 percent of total national output, a little smaller percentage than a year ago. In 1953, at the post Korean peak, defense expenditures accounted for 14 percent of total output. During the fiscal year which ended last June, the Federal Budget showed a surplus of almost 2 billion dollars. On a cash basis, including the flow of funds to and from the public through trust funds such as Social Security receipts and payments, the Federal Government took in some 4 1/2 billions more than it paid out to the public. Thus, the net effect of Federal fiscal operations has been to restrain total demand.

Turning now to an appraisal of the outlook for 1957, we need to look at probable developments in these three major expenditure flows. Beginning with government expenditures, it has generally been our custom in recent years to introduce an assumption of "no real change in the international situation". The increase in tensions over the past month underscores this element of uncertainty. However, unless future developments should bring significant changes in the level of defense outlays, it seems likely that the uptrend in State and local government expenditures will again be the major force expanding demands in the government sector. This trend is being reinforced by the new highway program which is expected to have increasing effect over the next several years. There is still a considerable backlog of school needs and our growing suburban population is expanding requirements for water supply and sewage systems. Federal outlays, according to the Budget Review of last August, will be increased some in the current fiscal year over fiscal 1955-56. This includes additional outlays for agriculture, particularly the new Soil Bank program. The Federal budget surplus in the current fiscal year may not be as large as in the last fiscal period. Assuming no marked change in the defense program from the previous schedule, total government demands (Federal, State and local) will likely rise as much over the next year as they have in the past year.

Private investment outlays also are expected to be larger next year, but the rapid rate of increase in business investment in new plant and equipment may slow. A joint report of the Departments of Commerce and Labor, released a few

days ago, indicates that residential construction expenditures over the year ahead may well hold close to current levels. The report also expects some further increase in other construction, especially industrial construction. Somewhat higher construction costs are anticipated.

At this time, the results of surveys of business plans for capital spending in 1957 are not yet available. These will have special interest in view of the marked expansion in such spending over the past year. We have noted previously that the uptrend in business capital outlays presently show no sign of leveling off. Business confidence is high and large unfilled order backlogs especially for machinery and transportation equipment suggest the trend will continue up for some months ahead. Yet a number of factors point to the possibility of some slackening later in 1957. Productive capacity will be steadily enlarged over the months ahead and the needs for additional capacity may not appear as pressing. In addition, corporations may have more difficulty in financing a much higher level of capital investment. Corporate profits after taxes have been fairly stable through most of the past year. With dividend payments increased, undistributed profits available for capital investment have been somewhat reduced. The cash position of many corporations is not as favorable now as a year ago and borrowing costs are higher. Further, the increase in construction and equipment costs may also have some effect in restraining investment demand. But a sharp reversal in capital spending should not be expected. There is much to be said for the viewpoint that today's heavy research expenditures lead to a continuing high level of capital investment. According to the Economic Report of the President last January, research expenditures last year totaled at least 5 billion dollars. The McGraw-Hill survey of last fall indicated a substantial further increase in research and development of new products over the next several years. That survey also brought out that manufacturing companies, as a group, expect about one-tenth of their sales a few years hence to be from products that were not made last year. Also, almost one-third of their capital spending this year is for facilities to make new products.

Nor is it likely that the business inventory situation over the next year will change drastically even though business has been accumulating inventories for two years. Much of the build-up in inventories over the past year has been in the sectors which are undergoing greatest expansion, such as the metal and machinery industries. These industries require larger inventories to handle a rising volume of business. Large stocks of automobiles earlier this year have been reduced and the 1957 season has begun with stocks appreciably lower than a year earlier. With prospects that the total level of business will continue to rise in 1957, no sharp changes are anticipated in the rate of inventory accumulation.

With respect to our foreign transactions, there is considerable uncertainty concerning the effect of the situation in the Middle East on patterns of world trade and continuation of the boom abroad. We would expect our volume of trade with other countries to continue to expand. However, changes in net foreign investment generally are not prime movers in swinging the economy one way or the other.

It seems quite likely also, that consumer expenditures will be larger in 1957 than this year, perhaps substantially larger. Prospective expenditures by government and business indicate that the flow of income to consumers, primarily wages and salaries, will be further increased. Nor is the consumer likely to initiate a reduction stemming from his own spending. The savings rate is fairly high now as compared with other recent years. The new automobile models plus the substantial repayments on automobile credit over the past year suggest some increase in consumer expenditures for durable goods. This is in contrast to the decline that occurred over the past year. Expenditures for nondurable goods, including food, as well as for services should continue to rise with consumer incomes much as in the past several years.

In appraising the consumer sector, we should keep in mind the continuing increase in American purchasing power and in living standards. This year, the average consumer is able to buy some 10 percent more goods and services with his income than he could only 5 years ago. He is able to buy over 50 percent more than just prior to World War II. This has occurred even with 35 million more consumers now and prices almost twice as high as 15 years ago. We should also keep in mind the substantial number of new products coming to market over the next several years.

Our appraisal suggests that the economy over the next year faces much the same increase in total demands as has occurred in the past year. Demands may grow faster in the first half of 1957 than in the second half, unless the international situation should dictate otherwise. This would suggest that some further price increases are in prospect in the months immediately ahead. But there is a real possibility that prices may stabilize thereafter. The labor force continues to grow rapidly. And productivity increases may well be greater over the year ahead than in the past year as the fruits of the current surge in business investment are realized.

Although the post-war boom has now persisted for more than a decade, there are real grounds for expecting it to continue in 1957. The fact that some demands are being restrained at present and could be eased if need be, lends some additional confidence to the 1957 outlook.





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Nov. 28, 1956

United States Department of Agriculture  
Commodity Stabilization Service  
Oils and Peanut Division  
Washington 25, D. C.

(HISTORICAL TRENDS IN PRODUCTION AND MARKETING OF FATS AND OILS)

Statement presented by J. E. Thigpen, Director,  
Oils and Peanut Division, at the 34th Annual  
National Agricultural Outlook Conference,  
Washington, D. C., November 28, 1956

This year's outlook conference is focusing attention not only on 1957 but on the outlook for the longer period of 4 to 6 years. In evaluating the immediate and longer term prospect in the production and marketing of fats and oils a brief historical review of the world and domestic situations is helpful since the outlook for the future is largely shaped by the rapidly changing relationship of United States production and trade with that of other countries.

General

The United States' position in relation to the world position for fats and oils, protein meals and oilseeds is completely reversed from that existing prior to World War II. During the years 1935-39, the United States was one of the world's largest net importers of fats and oils. Imports of protein meal, including meal equivalent of oilseeds imported, about balanced exports. United States exports of oilseeds were negligible. Currently, the United States is the largest or among the largest exporters of fats and oils, protein meals and oilseeds.

United States Production of Fats and Oils

In 1935-39 the United States was producing only a portion of the fats and oils used for domestic consumption. The balance was obtained from imports. On the edible side, the change since 1935-39 is based upon the increased production of soybeans. This increase was stimulated by urgent wartime needs but has continued at a rapid rate since the war. If the increase from pre-war to current level in terms of the oil equivalent of soybean production were subtracted from total United States production of so-called edible fats and oils, the United States now would need to import around 2 billion pounds more of edible fats and oils to maintain consumption at the present level.

On the inedible side, a large increase has occurred in production and exports of tallow and grease. The U. S. has moved from a substantial import to a substantial export position on linseed oil. Production of tall oil has moved from around 25 million pounds to around 650 million pounds, annually. Production of safflower oil is becoming significant.

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### U. S. Exports of Fats and Oils

In the pre-war period fats and oils exports including oil equivalent of oilseeds exported from the United States were about 2 percent of the total world exports of these commodities. By 1950 United States exports climbed to 15 percent of the total world export movement and in 1956 the percentage reached 33-1/2 percent. Although there has been increased export of linseed oil and flaxseed, a major portion of this increase was made up of soybeans or soybean oil. Total exports, including oil equivalent of seeds exported, were 5.2 billion pounds in 1956. In the 1935-39 period the average was 0.3 billion pounds.

### Per Capita Consumption of Fats and Oils

The exports of United States fats and oils has become an important factor in the per capita consumption of these commodities throughout the world. In the United States the per capita consumption of all fats and oils has for the most part been in the range of 65 to 70 pounds per person both before World War II and the period 1950-56. In the world outside the United States the per capita consumption stood at 18 pounds in 1935-39. Immediately following the war, the non-United States per capita consumption was near 15 pounds per person. Since 1950 it has increased until in 1956 it stood just under 20 pounds per person. If the United States exports of fats and oils are subtracted from the non-United States consumption the consumption for the world other than the United States would be near the level which existed immediately after World War II.

### U. S. Production of Meal

Increased production of oilseeds since the pre-war period has meant increased production of oilseed meal. The major part of this increase has come from soybeans.

In the post-war period, consumption of feed is at a substantially higher level than in 1935-39 but has shown only a slight tendency to increase from the level reached in 1950 and 1951. As was the case with the oils, the United States was a net importer prior to World War II but by 1950 was well established as a net exporter.

### U. S. Exports of Protein Meal

Export availability of soybeans and soybean meal in the post-war period has resulted in a change in the meal exports (including meal equivalent of oilseeds exported) similar to that which has occurred in the oils. In 1956 meal and meal equivalent exports amounted to 3.1 million tons whereas in 1935-39 the average was only 0.4 million tons. Almost all of this shift can be attributed to soybeans. Other oilseed meal exports in 1956 were only 237,000 tons more than the 1935-39 average.

U. S. exports as a percentage of the world export trade have increased from 4.2 percent in 1935-39 to 38.7 percent in 1956.

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### SUMMARY

To summarize, in the post-war period the United States has established itself as one of the most important sources of fats and oils, protein meals and oilseeds in the world. At the same time in becoming the principal source of supply the U. S. has become dependent on the world market for disposal of its production. Current consumption levels throughout the world indicate, however, that there is potentially room in the world for still larger exports.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Foreign Agricultural Service  
Washington 25, D. C.

W. H. Youngman

LEGUME AND GRASS SEED CUTLOOK FOR 1956-57

The supply<sup>1/</sup> of 27 legume and grass seeds for use on farm and urban land in 1956-57 is estimated at 1,166 million pounds, 13 percent below last year and 17 percent below the 5-year average. This supply is large enough to meet normal domestic needs if some substitutions are made, but stocks at the end of the 1957 spring planting season are likely to be very low for some kinds and completely exhausted for other kinds. However, the overall supply is not adequate to meet the needs for seeding substantial acreage of cropland already signed and to be signed in the Soil Bank Program. This year's production and carry-over represent larger portions than usual of the total supply, as imports are small. Imports have added on the average about 5 percent to the total domestic supply, but present indications are that this year imports may contribute less than 2 percent to the total U.S. supply. European countries from which we have imported seed in the past experienced a severe winter in 1955-56 and imports from these countries and from Canada are expected to be small.

The 1956 crops were smaller than last year for 20 of the 27 kinds of seed, and only 7 kinds were larger. Production of the grass seed group, including 12 hay and pasture grasses at only 142 million pounds in 1956, is one-third smaller than last year and one-fifth below average. Even though carry-over of old crop seed was large and helped greatly to boost the current supplies, the small imports and small production result in a supply 4 percent below average and 24 percent below a year ago. Red fescue, brome grass and crested wheatgrass are in the tightest positions in the grass seed group. Seed production of the legume hay and pasture group, including alfalfa, lespedeza and clovers, except crimson, is one-fifth smaller than last year and one-tenth below average. But above average carry-over, especially of alfalfa, sweetclover, and alsike clover, of the majority of these kinds, helped provide close to an average supply of seed for this group. Supplies of alfalfa are plentiful for the second consecutive year being two-thirds again as large as average, but supplies of clover are below average. The supply (320 million pounds) of the winter cover crop seeds--Austrian Winter peas, Lupine, crimson clover, vetches, and rye grasses--is small, 7 percent below last year and 44 percent below average. Hairy and common vetch are both in short position, but purple vetch is plentiful.

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<sup>1/</sup> Supply includes 1956 production plus carry-over on farms and in seed houses at the beginning of the current crop year plus imports July 1 to September 30, 1956.

### Domestic Disappearance in 1955-56 Compared With Other Years

The domestic disappearance or consumption of seed during 1955-56 of 806 million pounds was sufficient to seed approximately 67 million acres. Disappearance of legume and cover crop seeds was close to the level of 1954-55 plantings but consumption of the grasses was one-sixth larger, mainly because of increased use of Sudangrass and fescues.

### Seed Prices Higher Than a Year Ago

Prices received by farmers for 1956 crop seed were higher than last year for practically all seeds. During mid-October the U.S. prices of clean seed were significantly higher than in 1955 for alfalfa, red clover, alsike clover, white clover, smooth brome grass, crested wheatgrass, timothy, orchardgrass, tall fescue, Sudangrass, and redtop--all of these are kinds most in demand for hay, pasture, silage, and Soil Bank acreage seedings.

Prices paid by farmers for seedings made this fall were lower than last year for alfalfa, white and Ladino clover, redtop, ryegrass, wild winter peas, purple vetch and lupine, but prices of all other seeds were higher. With the higher prices being received by farmers in surplus producing areas this year, it is very likely that most seeds purchased in other areas for use next spring will retail at relatively high price levels.

### Current Supplies of Seeds Compared With Domestic Disappearance

Alfalfa.--The total supply of alfalfa seed (1956 production plus carry-over on June 30, 1956, plus imports July 1 - September 30, 1956) for planting during the 1956-57 season is estimated at 237 million pounds, as shown in the accompanying table giving supply and disappearance of 27 legume and grass seeds. It is the second largest supply of this seed on record, exceeded only by last year's total of 269 million pounds. The current supply is 54 million pounds more than the domestic disappearance or consumption last year and 102 million pounds more than the 1950-54 average domestic disappearance. So there is enough alfalfa seed, particularly of certain improved varieties, for normal needs next year, and for seeding additional acreages.

Exports of alfalfa seed have been particularly large during the past few years, due in part to the short Canadian crops which have necessitated heavy imports of United States seed. Exports during 1954-55 exceeded 10 million pounds; in 1955-56 they were more than 14 million pounds. The shipments in the current year (July-September) are running smaller than those of last year, but are expected to increase as fall shipments get underway. The French and Canadian crops are below expectations.

Retail prices of alfalfa averaged about 10 percent higher in mid-September than during the spring season. In view of the smaller crop this season and the anticipated increased demand because of the Soil Bank Program it is likely that spring prices may show some further advance in spite of the large carry-over.

Red Clover.--The current supply of red clover seed, estimated at 106 million pounds, is 2 percent larger than last year, but 20 percent below the 5-year average. The larger supply resulted in part from the 27 million pound carry-over, which more than offset the small 1956 crop. Six million pounds of red

clover seed were imported in 1955-56; similar imports in 1956-57 are not likely because of the small Canadian crop.

Retail prices of red clover seed averaged 5 percent higher in mid-September than last spring, but were the same as a year earlier, and 10 percent above September 15, 1954. Abundant supplies of lower priced alfalfa seed helped to restrain any price runaway due to the below average supplies of red clover seed in 1955-56. This same situation is expected to continue into 1957, with advances, if any, small.

Alsike Clover.--Current supplies of alsike clover seed are indicated at 15.4 million pounds, 15 percent below last year, and 21 percent below average. However, the estimated supply does not include expected imports from Canada which are not likely to exceed 1 million pounds of seed because of severe winter damage in the producing districts of our neighbor to the North.

The current supply exceeds last year's domestic consumption by 28 percent, and the average by 16 percent. Ladino Clover has been gradually replacing Alsike Clover seed, but this may be offset to some extent by the Soil Bank program.

Canada has been the principal supplier of imported seed in recent years, although Sweden has shipped occasionally. However, European supplies are below average and little, if any, is expected from that area.

Exports of Alsike have declined for several years and little, if any, will go abroad from the U.S. this season.

Retail alsike prices on September 15 were  $2\frac{1}{2}$  percent above those of a year ago and 15 percent above the '56 spring season average. Some further increase is likely if the domestic demand increases.

Sweet Clover.--Supplies of sweet clover seed for 1956-57, currently estimated at 57 million pounds, are 21 percent below those of the previous year and 31 percent below average. The reduction, due primarily to the small United States crop, which was offset to a considerable extent by the carry-over, cannot be made up by increased imports from Canada. The 1956 Canadian crop is expected to equal the previous one, from which we imported over 12 million pounds. Canada is the only source of sweet clover seed. Exports of United States seed are negligible.

Sweet clover seed retail prices, because of poor demand last spring, were nearly 23 percent below those of the spring of 1955. If the Soil Bank Program increases the demand for sweet clover seed materially above normal planting requirements, prices may be expected to increase sharply.

Ladino Clover.--Supplies of Ladino clover seed for the 1956-57 season (14.8 million pounds), while 13 percent below those of the previous year, are still double the average disappearance.

Ladino clover seed has not been imported for several years; exports have been expanding and are between one and two million pounds a year.

Retail prices of Ladino clover seed have remained fairly constant through the past three years, and not much change is anticipated during the spring planting season.

White Clover.--The estimated supply of white clover seed for the 1956-57 season is approximately 27 percent below the 7 million pounds in the 1955-56 season. A short crop was offset in part by the 1.9 million carry-over, and in part by a 7 percent smaller domestic disappearance. This latter may have in part been due to the plentiful supply of Ladino clover seed at substantially lower prices, and partially to the unfavorable spring planting season.

Imports of white clover seed in the current season are likely to be a third smaller because of small crops in producing countries.

The current retail prices of white clover are only about 5 percent above the spring average (\$1.02 per lb.). No major change in this is anticipated because of the cheaper Ladino clover seed.

Timothy.--In spite of an above average carry-over, current supplies of timothy seed, estimated at 44 million pounds, are a fourth smaller than a year ago. Because of unfavorable conditions in Canada, it is unlikely that imports in the 1956-57 season will equal the  $3\frac{1}{4}$  million pounds imported in 1955-56. However, domestic disappearance in 1955-56 was slightly less than 42 million which was exceeded in only one year since 1947, in 1953.

Exports of timothy since 1951 have been small, but imports have ranged between  $1\frac{1}{2}$  and 12 million pounds per year. Canada has been the major supplier. Currently, retail timothy seed prices are 15 percent above the spring '56 average and are likely to increase if the Soil Bank demand increases.

Lespedeza.--Current supplies of lespedeza seed are estimated at 165 million pounds, about 17 million less than a year earlier. Low prices at harvest time discouraged seed harvesting, although the price level during the spring season encouraged planting and domestic disappearance was the highest since 1950. There are no exports or imports of lespedeza seed.

The low level of current prices should favor extensive plantings next spring and prices are expected to advance slightly - perhaps above those of spring 1956.

Orchardgrass.--If the indicated imports of orchardgrass seed materialize, supplies for the 1956-57 season may be between 16 and 17 million pounds, or about 19 percent below the 1955-56 supply. Domestic use in that season was 15 million pounds, the same as the 1950-51 - 1954-55 average. If the expected increase in demand for the Soil Bank plantings develops, these supplies will be inadequate.

Because of the small orchardgrass seed harvest in Denmark and England, imports from that area will be limited.

Prices have risen sharply and on September 15 were 16 percent above the '56 spring average. Some increase is likely.

Redtop.--The current supply of redtop seed is 22 percent larger than in 1955-56 but is only  $3\frac{1}{4}$  percent below the average. However, the supply is well above the domestic disappearance of recent years.

Exports of .4 to .6 million pounds reflects a greatly curtailed foreign demand for redtop seed. Imports are negligible.

September 15 retail prices of redtop are below those of a year ago and little, if any, increase is expected between now and next spring.

Kentucky Bluegrass.--The supply of Kentucky Bluegrass seed, 21.4 million pounds, is about 31 percent smaller than in 1955-56 but is only about 11 percent below average. Because of the widespread urban building, domestic disappearance is at a high level and in 1955-56 was 18.7 million pounds. Exports were only .6 million pounds, or approximately half of the average shipments. This reflects increased production in both Canada and Europe.

Retail prices of Kentucky Bluegrass seed averaged 91.4 cents per pound in September compared with 77.8 cents in the spring. Because of the ample supplies of red and Chewings fescue little, if any, increase in the retail price is expected. However, the current level of prices in the U.S. could increase imports.

Fescues.--Supplies of tall, Chewings, and red fescue are smaller than last year but well above domestic disappearance. In spite of the small crop of tall fescue seed and the elimination of low quality CCC stocks, supplies of this seed are above the record domestic disappearance of 1953. The supply of red fescue seed of 14.3 million, including expected imports, exceeds the peak domestic disappearance of 1955-56 by over 2 million pounds. The 11 million pound supply of Chewings fescue exceeds the 1955-56 high in domestic disappearance by nearly 4 million pounds. However, the short supply and relatively high price of Kentucky Bluegrass should favor an increased demand, although little, if any, change is expected. Current supplies and prices favor some export sales.

Tall fescue supplies appear adequate in view of average disappearance but any major increase in demand due to the shortage of orchard and timothy grass seeds, and their relatively firm prices, could easily exhaust supplies, and probably at advancing prices.

Canadian supplies of red fescue are materially below those of a year ago, and Denmark's crop suffered from an adverse season. Imports of Chewings fescue seed from New Zealand have dropped to low levels in recent years. There are no foreign sources of tall fescue seed.

Bentgrass.--The 1956-57 supplies of bentgrass seed are at an all-time high and are over 11 percent above last year and 80 percent above average. Both imports and exports of bentgrass seed have been negligible in recent years but the current large supply and low price level should be favorable to exports.

Domestic disappearance of bentgrass seed has continued its sharp upward trend. The 1955-56 domestic use was over 20 percent above the previous year. If this rate of expanding use should continue into 1956-57 a smaller carry-over at the end of the season is likely.

Smooth Bromegrass.--Both production and carry-over of smooth bromegrass seed are much below the 1955-56 season, and the supply is the smallest since 1948.

This assumes imports of 6 million pounds which may not materialize judging by preliminary Canadian reports. Prices on September 15 were about 40 percent above the spring season average and are expected to go higher with any increase in demand over normal planting requirements.

Domestic disappearance has averaged 21.6 million pounds during the past 5 years. The current supply is estimated at slightly more than 10 million pounds. If 6 million are imported, the supply is at least 2 - probably 4 - million below normal disappearance.

Crested Wheatgrass.--Supplies of crested wheatgrass seed are the smallest in more than a decade and imports are expected to be only average. This shortage was reflected on September 15 by retail prices 37 percent above those of a year earlier.

Sudangrass.--Current supplies of sudangrass seed are 18 percent below those in 1955-56, but are 54 percent above average. The 1956 crop was 43 percent below the 1955 harvest but the carry-over of old crop seed was more than  $3\frac{1}{2}$  times the average. The current supply of 77 million pounds is well above domestic disappearance in recent years. Imports and exports are small.

The 1956 spring season average of \$10.10 per cwt. were a third lower than in 1955 which stimulated a high level of domestic use. If the same level of prices prevail in the spring of 1957 the supply may not be adequate to meet a material increase in demand.

Winter Cover Crops.--The planting season for winter cover crops is over for 1956 but was marked by small supplies of all except the ryegrasses and purple vetch. Austrian winter peas were 11 percent smaller, lupines 14 percent, crimson clover 4 percent, hairy vetch 41 percent, and common vetch 60 percent below the supplies of 1955-56. Supplies of perennial ryegrass and purple vetch were above those of a year earlier, but those of common ryegrass were slightly smaller. In spite of the short supplies, prices of these winter cover crop seeds were not materially different on September 15, 1956, than a year earlier. Crimson clover and common vetch prices were the most affected.

Range Grasses.--Current supplies of the 10 Western range grasses are indicated to be about average, perhaps above. (There are no official estimates of production or carry-over supplies of these seeds.) Old crop carry-over was indicated to be moderate. However, should a large demand develop for them under the Soil Bank Program this supply would be inadequate. There are no appreciable foreign sources of supply.

RETAIL SEED PRICES

	Sep't 1954	Spring 1955	Sep't 1955	Spring 1956	Sep't 1956	Spring 1957
Alfalfa - Common .....	39.10	47.90	37.40	31.00	33.40	+
Alfalfa - Grimm .....	43.90	56.20	41.00	34.90	38.40	+
Alfalfa - Improved Varieties ..	48.30	59.10	42.60	36.20	40.80	+
Clover - Red .....	43.00	69.70	47.10	44.90	47.10	+
Clover - Alsike .....	33.30	45.60	41.10	36.50	42.10	+
Lespedeza - Korean .....		24.60		10.70	8.47	+
Clover - Crimson, Common .....	23.90		29.70		34.10	-
Clover - Crimson, Reseed .....	28.30		37.80		38.50	+
Clover - Sweet .....		23.00		17.60		+
Clover - White .....	.982	1.19	1.10	1.02	1.07	+
Clover - Ladino .....	.777	.837	.877	.855	.823	+
Timothy .....	25.40	30.50	17.20	17.00	24.70	+
Redtop .....	.912	.930	.765	.728	.741	+
Bluegrass - Kentucky .....	1.29	1.10	.830	.778	.914	-
Orchard .....	43.60	45.60	34.50	33.40	38.80	+
Sudan .....				10.10		+
Brome .....	22.00	24.10	28.00	30.10	43.40	+
Wheatgrass - Crested .....	35.70	38.50	39.80	50.10	54.70	+
Ryegrass - Common .....	13.40	16.60	11.80	14.20	11.10	+
Ryegrass - Perennial .....	.273		.278		.224	+
Fescue - Tall .....	26.50		19.40		22.50	+
Peas - A.W. ....	6.90		7.36		7.61	
Peas - Wild Winter .....	9.03		13.00		10.30	
Vetch - Hairy .....	16.30		18.80		19.90	
Vetch - Common .....	8.40		9.80		12.80	
Vetch - Purple .....	7.60		13.80		13.30	
Lupine - Blue .....	6.04		5.24		5.30	
Lupine - Sweet .....	20.30		16.00		14.40	



LEGUME AND GRASS SEEDS, AVERAGE 1950-1954, ANNUAL 1955 AND 1956

Kind of Seed	PRODUCTION		CARRY-OVER		IMPORTS *		TOTAL SUPPLY		DOMESTIC DISAPPEARANCE		EXCESS OF 1955-57 SUPPLY OVER DOM. DISAPPEARANCE				
	Average : 1950-54	1955	Average : 1950-54	1955	Average : 1950-51 to : 1954-55	1955-56	Average : 1950-51 to : 1954-55	1955-56	Average : 1950-51 to : 1954-55	1955-56	Average : 1950-51 to : 1954-55				
	1,000 pounds		1,000 pounds		1,000 pounds		1,000 pounds		1,000 pounds		1,000 pounds				
Alfalfa	: 141,488	: 212,522	: 162,931	: 41,207	: 56,419	: 74,033	: 6,833	: 359	: 189,528	: 269,300	: 236,969	: 134,752	: 183,489	: 102,217	: 53,480
Red Clover	: 95,624	: 82,196	: 78,917	: 33,248	: 15,596	: 26,665	: 3,697	: 6,064	: 132,569	: 103,856	: 105,742	: 95,517	: 74,691	: 10,225	: 31,051
Alsike Clover	: 12,444	: 9,864	: 9,260	: 4,480	: 4,809	: 6,107	: 2,453	: 3,475	: 19,377	: 18,148	: 15,382	: 13,307	: 11,971	: 2,075	: 3,411
Sweetclover	: 51,315	: 48,602	: 32,412	: 17,984	: 11,018	: 22,971	: 13,618	: 12,700	: 82,917	: 72,320	: 56,885	: 64,041	: 49,349	: **7,156	: 7,536
White Clover	: 4,138	: 4,794	: 3,292	: 1,282	: 645	: 1,859	: 1,510	: 1,455	: 6,930	: 7,094	: 5,188	: 5,611	: 5,235	: **423	: **47
Ladino Clover	: 8,635	: 4,828	: 4,900	: 10,206	: 12,120	: 9,911	: 452	: 22	: 19,293	: 16,970	: 14,811	: 6,055	: 7,055	: 8,756	: 7,752
Lespedeza	: 116,809	: 175,965	: 140,595	: 16,733	: 6,659	: 24,841	: 0	: 0	: 133,542	: 182,624	: 165,406	: 125,694	: 157,813	: 39,712	: 7,593
Total 7 Legumes	: 430,453	: 538,771	: 432,307	: 125,140	: 107,466	: 166,357	: 28,563	: 24,075	: 584,156	: 670,312	: 600,383	: 444,977	: 489,607	: 155,406	: 110,776
Timothy	: 41,477	: 48,667	: 26,543	: 12,520	: 6,972	: 16,208	: 4,055	: 3,274	: 58,052	: 58,913	: 44,182	: 41,487	: 41,705	: 2,695	: 2,477
Orchardgrass	: 11,902	: 10,240	: 10,410	: 4,104	: 2,641	: 5,013	: 3,730	: 7,227	: 19,736	: 20,108	: 16,275	: 15,057	: 15,055	: 1,178	: 1,220
Redtop	: 6,226	: 4,240	: 3,920	: 2,884	: 655	: 2,068	: 1	: 1	: 9,111	: 4,896	: 5,988	: 5,380	: 2,178	: 608	: 3,810
Kentucky Bluegrass	: 18,581	: 23,450	: 9,710	: 4,899	: 6,497	: 11,516	: 519	: 961	: 23,999	: 30,908	: 21,397	: 16,971	: 19,092	: 4,426	: 2,305
Merion Bluegrass	: 497	: 873	: 1,266	: 4	: 147	: 161	: —	: —	: 497	: 1,020	: 1,427	: 497	: 859	: 930	: 568
Chewings Fescue	: 4,398	: 7,980	: 6,300	: 1,609	: 3,741	: 4,561	: 672	: 112	: 6,679	: 11,833	: 10,861	: 4,471	: 7,272	: 6,390	: 3,589
Red Fescue	: 2,513	: 2,072	: 1,925	: 1,554	: 5,378	: 4,385	: 4,383	: 8,795	: 8,450	: 16,245	: 7,816	: 5,901	: 11,860	: 1,915	: **4,044
Tall Fescue	: 32,536	: 28,707	: 20,727	: 10,313	: 22,124	: 19,947	: —	: 0	: 42,849	: 50,831	: 40,674	: 28,091	: 27,555	: 12,583	: 13,119
Bentgrass	: 2,676	: 4,600	: 4,930	: 1,045	: 1,539	: 1,926	: 127	: 69	: 3,848	: 6,208	: 6,908	: 2,603	: 4,289	: 4,305	: 2,619
Smooth Brome	: 14,547	: 6,450	: 4,800	: 5,632	: 10,036	: 5,587	: 8,798	: 6,692	: 28,977	: 23,218	: 10,451	: 21,600	: 17,631	: **11,149	: **7,180
Crested Wheatgrass	: 2,714	: 1,760	: 941	: 1,044	: 1,247	: 1,049	: 189	: 119	: 3,947	: 3,126	: 2,003	: 2,900	: 2,077	: **897	: **74
Sudangrass	: 42,846	: 68,970	: 50,715	: 7,191	: 5,610	: 26,505	: 150	: 0	: 50,187	: 94,580	: 77,220	: 43,370	: 68,075	: 33,850	: 9,145
Total 12 Grasses	: 180,775	: 228,049	: 142,237	: 52,795	: 66,587	: 98,926	: 22,624	: 27,250	: 256,134	: 321,886	: 245,202	: 188,368	: 217,648	: 56,834	: 27,554
Austrian Winter Peas	: 85,878	: 48,000	: 34,410	: 105,680	: 2,753	: 10,555	: 0	: 0	: 191,558	: 50,753	: 44,965	: 45,869	: 40,198	: **904	: 4,767
Lupine	: 61,613	: 19,820	: 15,220	: 63,955	: 1,768	: 3,386	: 326	: 6	: 125,894	: 21,554	: 18,606	: 34,579	: 18,203	: **15,973	: 398
Crimson Clover	: 23,136	: 9,520	: 14,700	: 3,886	: 2,047	: 1,319	: 7,800	: 5,171	: 34,822	: 16,738	: 16,019	: 30,573	: 15,419	: **14,554	: 600
Hairy Vetch	: 46,477	: 27,870	: 25,010	: 18,318	: 27,957	: 8,348	: 418	: 410	: 65,213	: 56,237	: 33,353	: 41,656	: 47,889	: **8,298	: **14,531
Common Vetch	: 19,128	: 11,745	: 3,840	: 14,744	: 3,574	: 1,812	: 618	: 619	: 34,490	: 15,938	: 6,328	: 14,998	: 14,126	: **8,670	: **7,798
Purple Vetch	: 7,398	: 5,500	: 13,600	: 1,920	: 2,092	: 1,254	: 0	: 0	: 9,318	: 7,592	: 14,854	: 6,920	: 6,338	: 7,934	: 8,516
Common Ryegrass	: 80,130	: 121,520	: 95,790	: 10,403	: 21,210	: 43,833	: 170	: 434	: 90,703	: 143,164	: 139,645	: 73,231	: 89,331	: 66,414	: 50,314
Perennial Ryegrass	: 13,206	: 31,350	: 38,000	: 2,825	: 1,945	: 8,619	: 3,451	: 25	: 19,482	: 33,320	: 46,621	: 16,072	: 24,701	: 30,549	: 21,920
Total 8 Winter Cover Crops	: 336,966	: 275,325	: 240,570	: 221,731	: 63,346	: 79,126	: 12,783	: 6,665	: 571,480	: 345,336	: 320,396	: 263,898	: 256,210	: 56,498	: 64,186
Grand Total 27 Crops	: 948,134	: 1,042,145	: 815,114	: 399,666	: 237,399	: 344,409	: 63,970	: 57,990	: 6,458	: 1,411,770	: 1,337,534	: 1,165,984	: 897,243	: 963,465	: 202,516

\* July 1-June 30 Except 1956-57 which is July 1-Sept. 30. \*\* Deficit.  
Prepared as background material for the 34th Annual Outlook Conference.

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November 1956



UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

X LONGER-TERM OUTLOOK - TRENDS IN CONSUMER DEMAND X

Talk by James P. Cavin  
Agricultural Economics Division  
at the 34th Annual Agricultural Outlook Conference  
Washington, D. C., November 27, 1956

I

Most of what I shall say about long-run trends in consumer demand for farm products is based on studies made in the Agricultural Marketing Service. Since the results of these have already been published, and many of you are familiar with them, I will present only a brief statement of the conclusions reached and projective techniques employed. In addition, I will offer a few remarks on a number of related topics, including the current interest in economic growth, the emergence of long-range economic projection as a distinct area of economic analysis, and certain special difficulties in making projections for agriculture.

Long-range projections relating to agriculture are by no means new. The 1923 Yearbook of Agriculture contains a study by L. C. Gray, O. E. Baker and others, entitled, "The Utilization of our Lands for Crops, Pasture and Forests." This study projected land requirements in the United States to around 1950, employing the famous Pearl-Reed population projection of 150 million in 1952 as a key assumption. Given this population, acreage requirements were calculated on the basis of an export assumption and several alternatives with respect to domestic per capita consumption and crop yields. The conclusion from the analysis was that the net expansion in demand would require the addition of about 40 million acres of cropland and improved pasture.

A feature of the 1936 Outlook Conference was a report entitled, "Looking Ahead on Agricultural Policy." This document contained a projection of crop acreages and numbers of livestock required on the basis of a number of alternative assumptions, including average per capita consumption of agricultural products in 1920-29, parity income for agriculture, good soil conservation practices, and several different levels of foreign demand for farm products. The general conclusion was that in the 5-year period ahead, desirable agricultural adjustments involved a substantial reduction in acreage--roughly in the range of 20 to 40 million acres. Several agencies participated in the preparation of this report, with Mr. O. V. Wells in the role of principal statistical projector.

With the onset of World War II, the energies of economic projectors were soon diverted to such matters as supply estimates, military and civilian requirements, and the allocation of manpower and materials. But as the war came to a close, there was widespread concern that the economy might return to the semi-depressed levels of the middle 1930's. Accordingly,

a number of economists and statisticians began to construct statistical models of alternative peacetime economies with special emphasis on the levels of output, business investment, consumer spending, and Government purchases needed to maintain full employment.

The Department of Agriculture was vitally interested in the impact of alternative postwar conditions on agricultural production, prices and incomes. Work on these problems was begun in 1943, and in 1945 the Bureau of Agricultural Economics published a study entitled, What Peace Can Mean to American Farmers. The first bulletin in this study contained statistical projections for the economy in general and the agricultural segment in particular, under various assumed levels of employment in the year 1950. This model indicated that, with full employment, the total demand for farm products in 1950 would be about 35 percent above that of the postwar years 1935-39, and even slightly higher than the inflated wartime requirements of 1943. To many of those who looked back over their shoulders at the Great Depression, this demand projection seemed Utopian, to say the least.

As we all know, the fears of a serious postwar depression failed to materialize, and we have enjoyed virtually full employment in this country for more than a decade. Under these circumstances, economists have largely shifted their emphasis from problems pertaining to relatively short-run fluctuations in economic activity to the classic problems of long-run economic growth and progress that commanded the attention of Smith, Ricardo, Malthus, and Mill. They are now busily reformulating and developing theories of economic growth, giving attention to the requisite interrelationships among such variables as population, composition of the labor force, technological innovation, capital accumulation, savings, monetary policy and resource mobility. Economic growth was the theme of the 1955 meetings of the American Economic Association, while that of the August 1956 meetings of the American Farm Economic Association was "Agriculture in Economic Growth and Stability." It is also the underlying theme of the discussions here this morning.

This renewal of interest in economic growth has provided a further stimulus to long-range economic projections. There are persistent demands for projections of the economy as a whole, typically in terms of the Gross National Product, which in turn requires projections of such factors as the labor force, productivity, capital formation and the like. There are also demands for projections for segments of the economy, such as the steel industry, the construction industry and agriculture.

In this context you will recall that in 1948, the Committee on Agriculture of the House of Representatives, undertook the study of a long-range agricultural program, and requested the Bureau of Agricultural Economics to provide an analysis of "the major economic factors which may affect agricultural production, consumption, and prices for the next 25 years." As you know, the Bureau's report--commonly referred to as the Hope Report--contained projections of major economic series for agriculture and the nation as a whole to a period centering around 1960. Although the projections in the report were made on the basis of several

alternative assumptions as to future levels, total economic activity and employment, the basic conclusion was that "the prospect for American agriculture over the next quarter century is relatively good."

With the growing realization that we still face difficult problems of agricultural adjustment extending well into the future, the demands for projections similar to those provided in the Hope Report, but extending considerably further ahead in time, have remained strong. Accordingly, work on long-run projections has continued, with the Agricultural Economics Division of AMS concentrating on projections of the demand for farm products, and the Production Economics Research Branch of ARS concentrating on projections of production required to meet future demands.

I might add here that the outlook for long-range projections themselves appears favorable. The prospects are that the demand for such projections over the next 4 or 5 years will continue at or slightly above current levels, assuming no drastic change in the international situation.

## II

I shall now summarize briefly our long-range projections for the domestic demand side of the agricultural picture. For a more complete statement, you will want to read the report prepared by Rex Daly, which was published in Agricultural Economics Research for July 1956.<sup>1/</sup> I would also like to call your attention to the fact that most of the commodity situation reports presented at this Conference contain some discussion of the longer-run outlook. The general demand assumptions underlying these individual commodity discussions are essentially the same as those presented here.<sup>2/</sup>

In order to make a projection of consumer demand for farm products, it is necessary to adopt assumptions concerning the magnitude of several economic variables, and relationships among them, for a specified future time. These include such variables as population, labor force, productivity of the labor force, total output of the economy, income available to consumers, and the general price level. The relationships include those between prices and consumption, income and consumption, and changes in consumer tastes and habits. In agricultural projections, there is

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<sup>1/</sup> Daly's projections are for 1960 and 1975 from the base year 1953. For purposes of this discussion, I have roughly adjusted these projections to the current year 1956.

<sup>2/</sup> The use of the term "demand" in this paper is not synonymous with "demand" in the usual economic sense, that is, the functional relationship between prices paid and quantities purchased. It is a broader term--widely used in outlook appraisals--that refers to total utilization of a commodity resulting from the combined influence of changes in prices, changes in income, and changes in population.

8

the additional complication of having to translate projections of demand at the consumer level into demand at the farm level.

The two most significant factors in determining the overall level of domestic demand for farm products is the size of the U. S. population and the available income per person.

Chart I shows the population of the United States from 1910 to 1955, with projections of 179 million persons to 1960, and a range of 207 million to 228 million in 1975 estimated by the Census Bureau. For this particular demand analysis, however, the 1975 figures were narrowed to a range of 210 to 220 million persons. These two levels represent increases of from 30 to 35 percent above the population of around 162 million persons in 1953 (the base year for the study), and some 25 to 30 percent above the estimated population for this year.

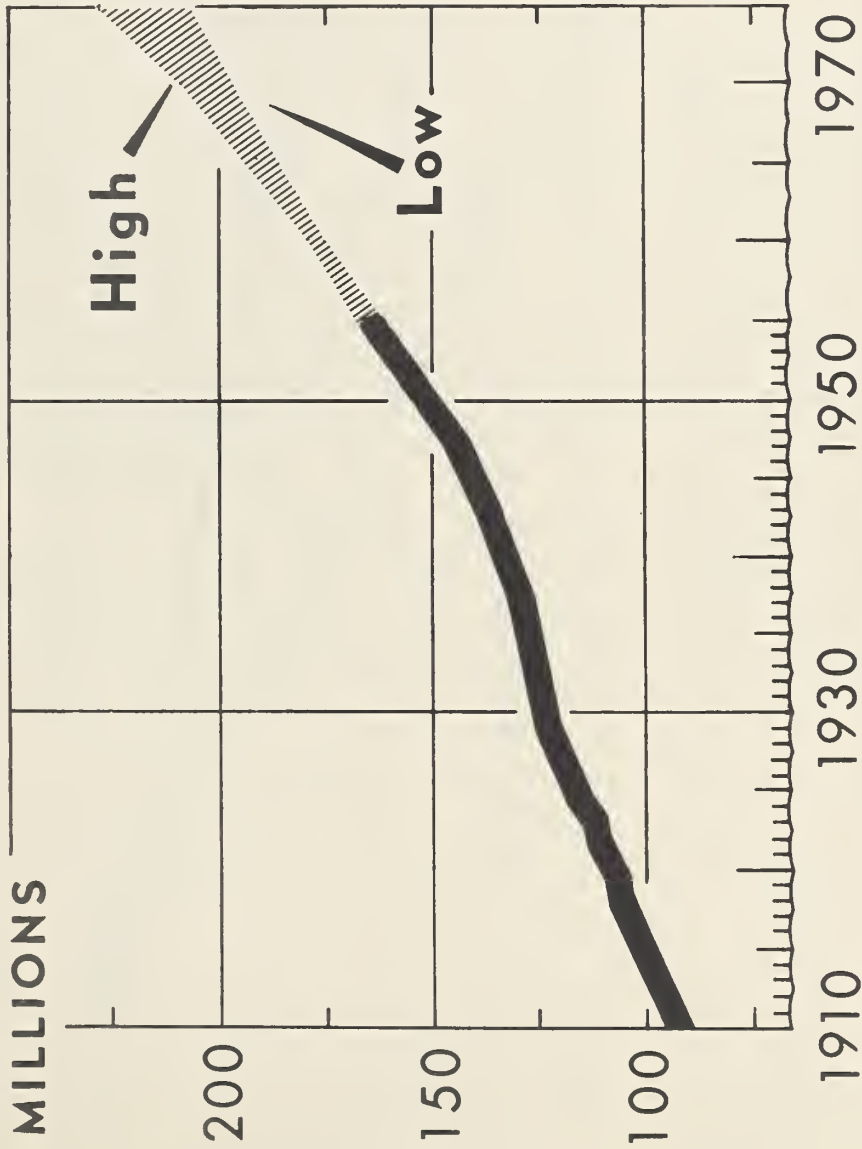
Given the population projection, we can move to the required income projection through a series of steps. Knowing the size of the total population, past trends and relationships enable us to make comparable estimates of the size of the labor force and the number of persons working under conditions of approximately full employment. Then, combining the estimate of employment, with projections of hours worked per week and output per man-hour, we can calculate a further projection of the total output of the economy. This process can be observed in Chart II. A projection for the total output of goods and services (the Gross National Product) is shown by the top line. It is readily seen that it reflects the joint influence of the factors projected in the lower lines, namely upward trends in employment and output per man-hour, and a downward trend in the number of hours worked per week. It also reflects the assumptions that prices remain generally at about the 1953 level, and that the aggregate demands of the economy will be large enough to absorb the total flow of goods and services at these prices.

On the basis of these trends, and assuming the higher population projection of 220 million persons, the Gross National Product for 1975 could easily reach a level of around 750 billion dollars in 1953 prices. This would represent more than a doubling of the output of the U. S. economy from 1953 and almost a doubling from 1956. With a Gross National Product of this size, disposable income in the hands of consumers would be around 550 billion dollars. This would also be nearly double this year's level. On a per capita basis, however, the increase in real income would be considerably less, perhaps around 50 to 55 percent.

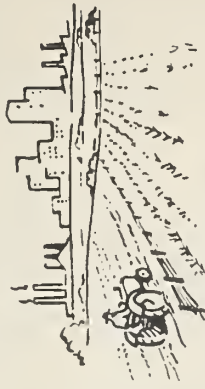
Given a population increase of 25 to 30 percent over the next 20 years, a 50 to 55 percent rise in real income per person, and approximately the 1953 level of retail prices, what can we say about consumer demand for farm products? The first thing we can say is that the population increase is by far the most important element affecting this demand. Income is of considerably less importance, and the influence of price appears to be even smaller.

With Projections to 1975

# GROWTH OF U. S. POPULATION



1910 - 55 ESTIMATES AND 1955 - 75 PROJECTIONS FROM CENSUS BUREAU

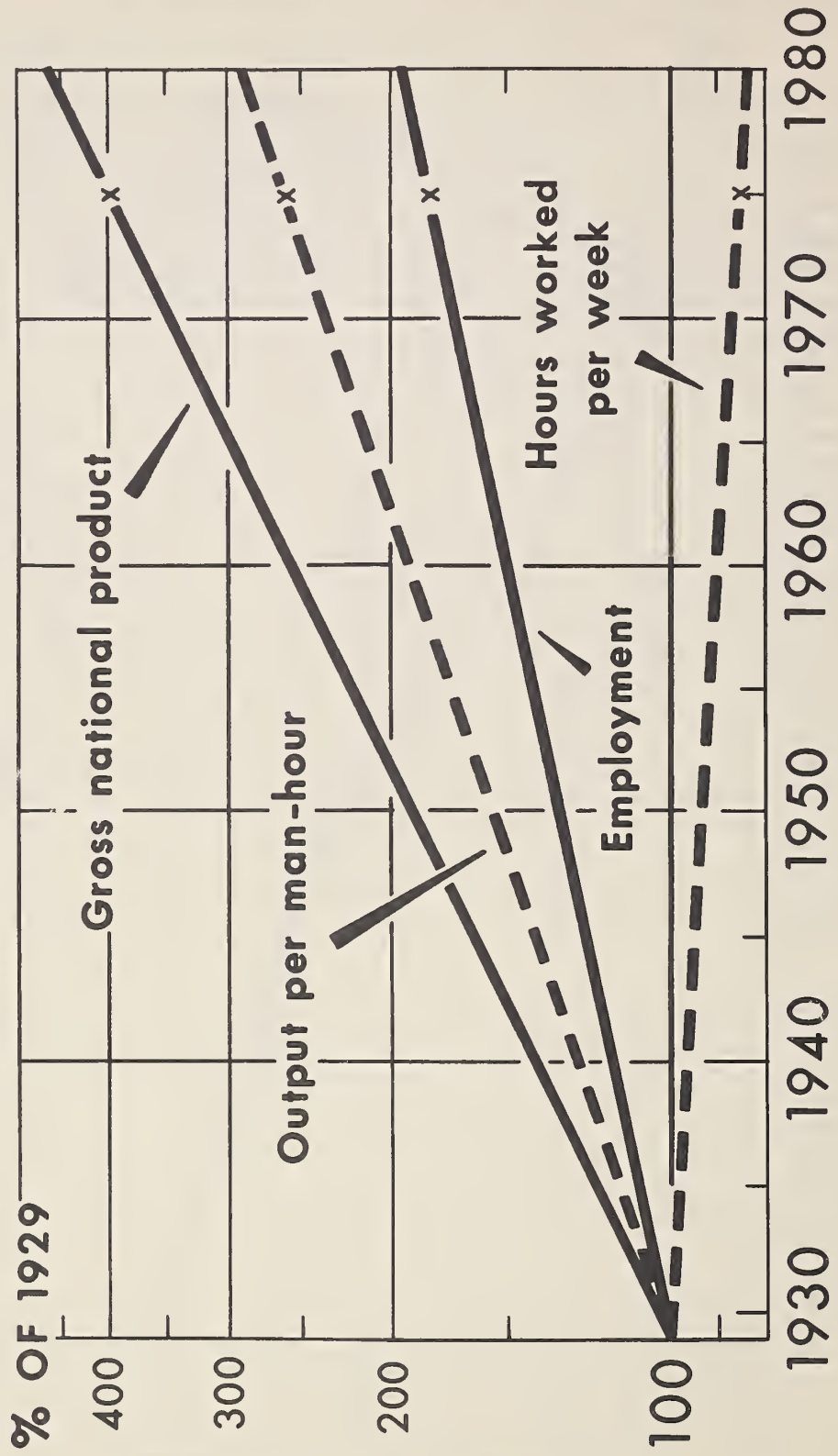


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Chart I

# PROJECTED TRENDS IN ECONOMIC GROWTH



In this connection, attention is called to Chart III. This shows series on total civilian food consumption, civilian population, per capita disposable income in constant dollars, and retail food prices deflated by the Consumer Price Index. The series run from 1924, and are on a base 1924=100.

Observe first the heavy solid line representing total food consumption, which is currently about 165 percent of the 1924 level. It is important to note that the 165 percent represents the product of an index of civilian population about 145 percent of the 1924 level and an index of per capita food consumption about 114 percent of the 1924 level. It is, therefore, the size of the population (shown by the heavy dotted line), which is the principal factor determining the total domestic consumption of food.

Observe next the line representing per capita disposable income. It can be seen that total food consumption tends to rise above or fall below the population line as incomes rise or fall. In the low-income years of the Great Depression, total food consumption lagged slightly behind population; in the high-income years since the end of World War II, it has risen more than population. Observe finally the line representing deflated food prices. The effects of price changes on food consumption are not as evident as the effects of changes in population and income. However, rises in food prices tend to place a mild restraint on food consumption, while declines provide a small stimulus. The effects of the price factor are most clearly seen during the 1930's, when the declines were very large. They operated as an offset to the declines in income and helped maintain total food consumption only slightly below the population trend.

If the foregoing relationships are measured statistically, we have the following results: a 10 percent increase in population is associated with a 10 percent increase in the total domestic demand for food; a 10 percent rise in real income per capita is associated with a 2 to  $2\frac{1}{2}$  percent rise in per capita food consumption; and a 10 percent rise in the real price of food with a decline of  $1\frac{1}{2}$  to 2 percent in per capita consumption.<sup>3/</sup>

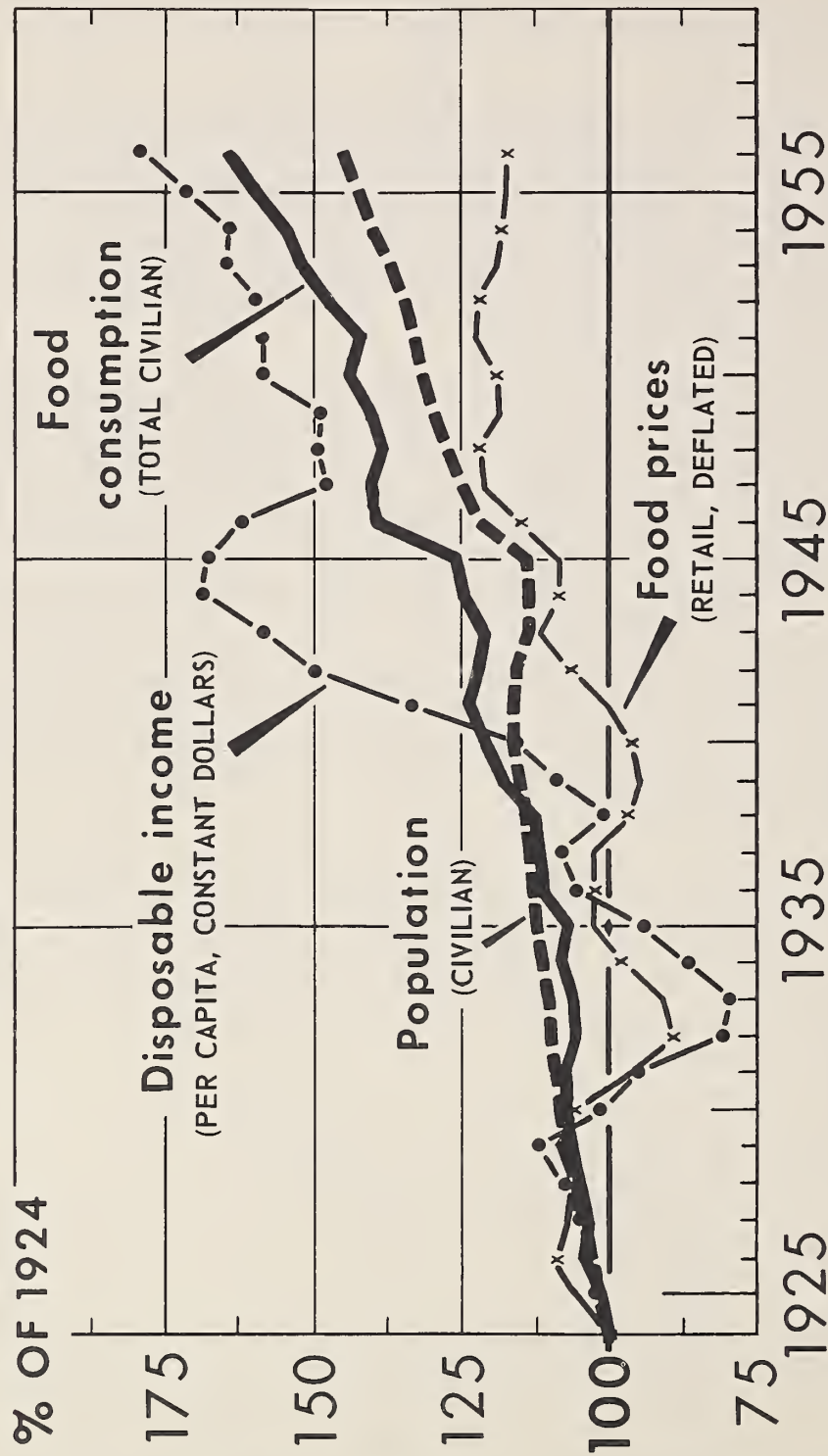
Now, if we take the higher of our two population projections for 1975 (namely 220 million persons); a projected real income per person about 55 percent above 1956; an income elasticity of 0.2 at the retail level; and relative food prices as they are now, the calculated increase in the total domestic demand for food would be at least 45 percent higher than it is this year. If we also allow for the fact that income

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<sup>3/</sup> Studies of the relationship between retail prices and food consumption have indicated a price elasticity of -0.2 or slightly higher. However, the extension of time series analysis into the postwar period suggests that the price elasticity might be as low as -0.15. This possible difference does not affect the projections presented here as they assume the general price relationships existing in 1953, and temporarily rule out the effects of price change.

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# FOOD CONSUMPTION AND RELATED FACTORS\*



\*1956 ESTIMATES ARE PRELIMINARY

elasticity at the farm level is less than at the retail level (due largely to the fact that our measures of food consumption at the retail level reflect some processing), we still come out with a demand increase of at least 40 percent.

We have talked here only in terms of the domestic demand for farm food products. Similar projections have also been made of the nonfood uses of farm products, which usually account for around 12 to 15 percent of farm output. However, projection of the combined per capita use of the nonfood products at a slightly lower rate than that used for food does not alter the overall picture. Projection of the total domestic demand for farm products to 1975 still averages out to around 40 percent above current levels.

The aggregate demand projections thus far described are summarized in Chart IV. The solid line indicates population; the dotted line total domestic utilization of farm products. Both lines widen to a range in 1975, reflecting alternative population projections of 210 and 220 million persons. The projected range of total utilization or demand lies above the population projections indicating the influence of rising income levels on per capita consumption. However, the greater importance of population as a determinant of demand compared with income is clearly evident.

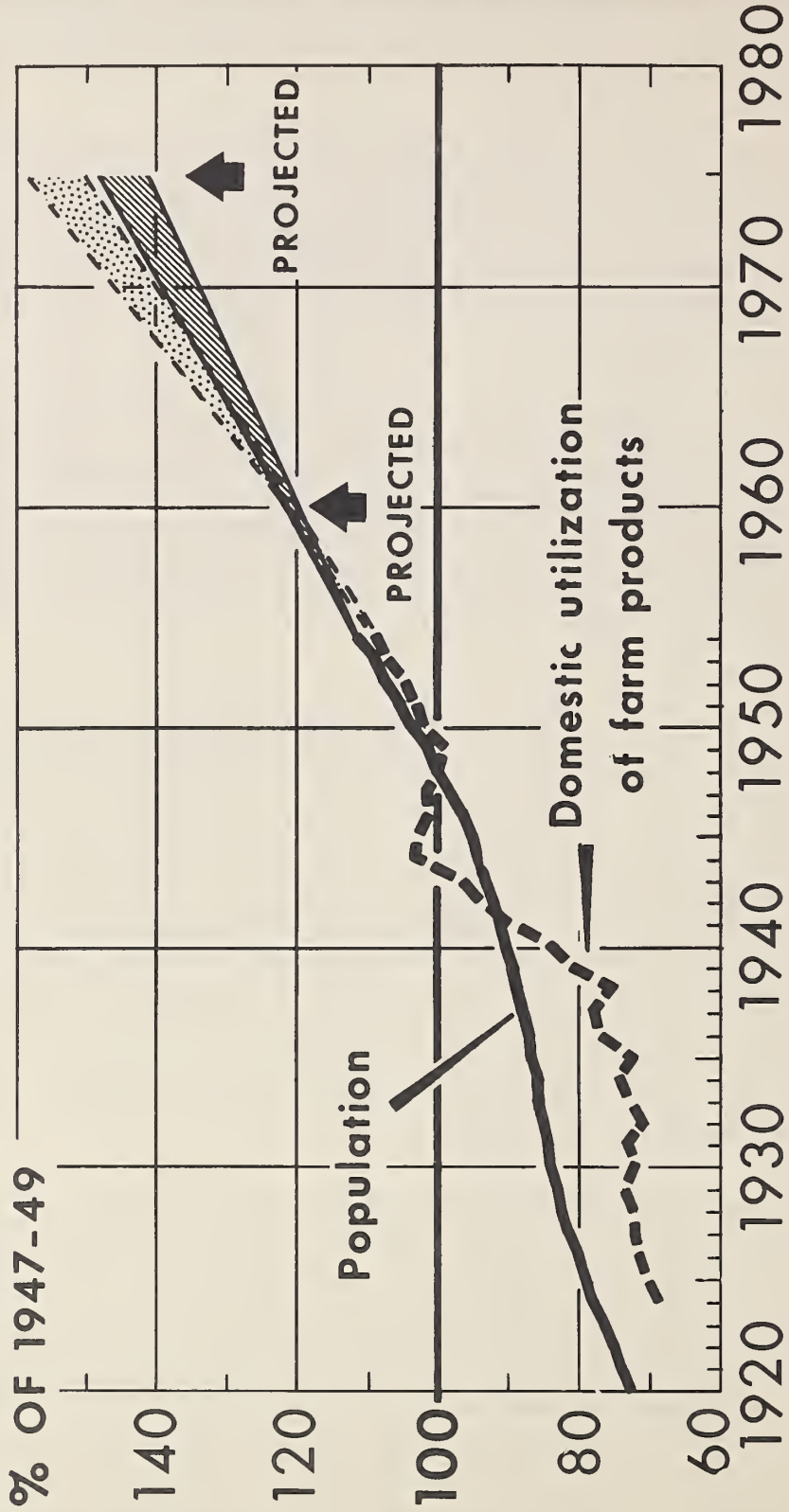
Projections for individual commodities and commodity groups will, of course, show considerable variation from these overall demand projections. In general, the demand for a number of the livestock products, particularly cattle, hogs, and poultry, is expected to expand at a faster rate than the demand for agricultural products as a whole. This is also true for citrus fruits and a considerable number of the vegetables. All of these are products whose consumption in the past has been particularly responsive to changes in consumer income. On the other hand, the demand for food grains, potatoes, and beans is projected at levels only slightly higher than at present, as long-time downward trends in the consumption of these commodities will tend to offset increases in aggregate demand due to larger population. This is all I will say about individual commodities, since, as I indicated earlier, the long-range prospects for the individual commodities will be discussed at the various commodity sessions.

All the discussion up to this point has been in terms of demand some 20 years hence. Projections of aggregate domestic demand for shorter periods require separate calculation, as the rates of change in some of the overall demand factors are different from those in the more remote period. However, the shorter period projections can be approximated by simple proportionate reductions from the 1975 estimates. Thus, if we are thinking in terms of aggregate demand for a period some 5 years hence, the comparable projection would be about 10 percent above current levels. There would be, however, considerable difference between demand projections for individual commodities in a relatively short period compared with a longer one. The demand for commodities with a high income elasticity would presumably be appreciably greater 20 years hence than 5 years hence, and the opposite would be true for commodities subject to long-time downward trends in demand.

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With Projections to 1975

# INCREASE IN POPULATION AND DOMESTIC USE OF FARM PRODUCTS



### III

I return now to some brief observations on two topics: (1) economic projections in agriculture, and (2) agriculture and economic growth.

There are many pitfalls in the projection of demand for agricultural products. To begin with, projections for the economy as a whole are subject to considerable error. This is particularly true for the important elements of population and productivity per man-hour. Also subject to error are the projected relationships between agriculture and the rest of the economy. Here, even small errors are very important. We have mentioned, for example, an income elasticity of demand for food ranging between 0.2 and 0.25. This may appear to be a small difference, but if the higher elasticity were the true one, our projection of the aggregate demand for food would be very materially higher than the one just presented. Another problem relates to trends on which we rely heavily in making long-time projections. Even the most pronounced long-time trends become subject to a very wide range of error once we push them ahead a decade or so. Finally, many important factors must be ignored altogether because of the lack of knowledge. This is particularly true in the field of consumer demand where our knowledge of such important influences as long-time changes in consumer habits, tastes, and preferences is very meager.

Despite all these difficulties, however, I believe that long-time projections for the agricultural segment of the economy are valuable analytic tools, and that we are likely to make greater rather than lesser use of them in the future. Among other things, they enable us to grasp the essential elements in a very complex situation, and they frequently bring into focus certain important problems that would not appear so evident if we had not constructed an explicit statistical model.

Underlying all problems of long-range agricultural projection or outlook is the basic question of the economic position of farming in an expanding economy. I think it is fair to say that the majority of economists believe that, barring a war or all-out preparation for war, the prospects for continued growth of the American economy over the next several decades are extremely favorable. In fact, many of the forecasts or projections of economic activity and the accompanying flow of goods and services verge on the spectacular. At any rate, let us assume that these predictions of continuous economic growth are valid, and that the Gross National Product per capita will rise at something like the rate used here in making the long-range projections of demand for farm products. To what extent will agriculture participate in this growth?

The commonsense view, toward which I have leaned myself, is that agriculture will share in the national economic growth in substantially the same fashion as other segments of the economy. The agricultural labor force, including those who exercise the management function, is fully as skillful as the rest of the labor force; agriculture is adequately supplied with fixed capital, as well as with inputs of circulating capital; productivity in agriculture parallels that of the rest of the economy;

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and the mobility of resources in the American economy, if not perfect, is certainly high. All these considerations point in the direction of equality of returns between agricultural and nonagricultural pursuits and the mutual sharing of the fruits of economic progress.

There is, however, another view which is much less comforting. It is that, even in a growing economy, returns to farming tend to be chronically low. One line of reasoning in support of this view can be stated briefly. The demand for agricultural products is extremely inelastic, and small increases in output bring sharp declines in farm prices and incomes. This problem is met by the application of technology to bring about reductions in cost. But this only increases production and pushes prices down even further. A squeeze is created on agriculture which stimulates the movement of resources into industry. This movement tends to bring returns in agriculture back toward equilibrium with returns in industry, but again and again, the combination of technological progress and inelastic demand tends to prevent the maintenance of this equilibrium for very long.

I am not arguing here for the validity of either of these theories or of any alternative theory. It is clear, however, that agricultural economists feel the necessity of correctly evaluating the long-run position of American agriculture. I have tried to say something about the prospects on the demand side. Probably more important will be trends in the level and pattern of farm output; and trends in the area lying between the farmer and the ultimate consumer, that is, in the marketing system.

It is no accident, therefore, that these two topics come next on this program.

MARKETING QUOTA AND PRICE SUPPORT PROGRAM <sup>1/</sup>  
By Clarence L. Miller, Director, Tobacco Division  
Commodity Stabilization Service

Marketing Quotas

The Agricultural Adjustment Act of 1938, as amended, provides for marketing quotas on tobacco to promote, foster, and maintain an orderly flow of tobacco in interstate and foreign commerce, and thereby enable farmers, who cannot do so individually, to work together to maintain supplies in line with demand.

The Act groups the various types of tobacco into eight kinds, as follows:

Flue-cured--Types 11, 12, 13 and 14  
Fire-cured--Types 21, 22, 23 and 24  
Dark air-cured--Types 35 and 36  
Virginia sun-cured--Type 37  
Burley--Type 31  
Maryland--Type 32  
Cigar-filler and cigar-binder--Types 42 through 46  
and 51 through 55  
Cigar-filler--Type 41

The Act requires the Secretary to proclaim, not later than December 1 with respect to flue-cured tobacco and February 1 with respect to other kinds, a national marketing quota for each kind of tobacco for each of the next three succeeding marketing years, except that if producers disapprove quotas in referenda held in three successive years subsequent to 1952, no quota will be proclaimed until the end of the 3-year period for which quotas were disapproved (unless prior to November 10 one-fourth of the growers petition the Secretary to proclaim a quota).

The Act requires the Secretary to announce the amount of the national marketing quota for each kind of tobacco in terms of the total quantity of tobacco which may be marketed which will make available during the next marketing year a supply of tobacco equal to the reserve-supply level. The Act defines the total supply as the carry-over at the beginning of the marketing year plus the estimated production during the current year. The reserve-supply level is a normal year's domestic consumption and exports plus 175 percent of a normal year's domestic consumption and 65 percent of a normal year's exports, plus 5 percent thereof.

The Secretary apportions the national marketing quota among the several States, on the basis of production during the preceding five years, and converts the State marketing quota (pounds) into a State acreage allotment (acres) on the basis of the average yields per acre during the preceding five years. Local Agricultural Stabilization and Conservation Committees allot the State acreage allotment among farms on the basis of the past acreage of tobacco grown on the farm; the land, labor, and equipment available for the production of tobacco; and other factors. Any producer who is dissatisfied with the acreage allotment established for his farm may have such allotment reviewed by a local review committee appointed by the Secretary and by the courts.

The Act directs the Secretary to conduct a referendum to determine whether growers of each kind of tobacco are in favor of or opposed to quotas for the

<sup>1/</sup> Prepared for the Tobacco Commodity Session of the 34th Annual National Agricultural Outlook Conference, Washington, D. C., November 26-29, 1956

next three succeeding marketing years. If more than one-third of the growers voting oppose quotas, such results are proclaimed by the Secretary and the quota becomes ineffective. A referendum will be conducted for cigar filler and binder tobacco for the 1957, 1958 and 1959 quota program sometime in February 1957.

The County ASC Committee arranges for the measurement of the acreage of tobacco grown on each farm. If the acreage is not greater than the allotted acreage, all tobacco produced on the farm may be marketed free of penalty and is eligible for Government price support. If the acreage harvested on the farm is in excess of the allotted acreage, no tobacco from the farm is eligible for price support and the tobacco is subject to penalty.

The present quota program was fairly successful in maintaining supply near a balanced position with demand for several years. Because of the sharp increase in yields per acre in recent years, coupled with a decline in domestic consumption, supplies of flue-cured and burley tobacco are now excessive. Production of flue-cured tobacco in the past 2 years has exceeded the marketing quota by more than 450 million pounds. Burley production in the same period following a 25-percent reduction in quota has been slightly below annual disappearance. Stocks of fire-cured and dark air-cured tobacco continue to be excessive in relation to current usings and exports.

The 1956 marketing quota as proclaimed by the Secretary called for a 15-percent reduction for burley, fire-cured and Maryland and a 20-percent reduction for dark air-cured tobacco. However, legislation passed by the Congress restored reductions in the acreage for these kinds of tobacco.

Proposed legislation to further reduce the flue-cured acreage after it became apparent that the size of the 1955 crop was much larger than earlier estimated failed to be reported out by the Agricultural Committee.

The 1957 marketing quota for flue-cured tobacco must be announced by the Secretary prior to December 1, 1956. For all other kinds of tobacco, the quota must be announced prior to February 1, 1957, as now required by Public Law 609, approved June 22, 1956. In moving the date forward by 2 months, hearings before the subcommittee indicate that the latter date is a mandatory time for announcing the quota so that a more accurate forecast of the crop can be achieved, and that the formula for computing the national marketing quota can be placed on a sounder basis.

The Soil Bank Act approved in May of 1956 provides for compensation to producers of certain kinds of tobacco for participating in an acreage-reserve program. However, the activities authorized in this program are supplementary to the acreage allotments and marketing quotas authorized under the Agricultural Adjustment Act of 1938, as amended, and together with such acreage allotments and marketing quotas, constitute an over-all program to prevent excessive supplies of agricultural commodities from burdening and obstructing interstate and foreign commerce.

#### Price Support

Price supports are mandatory on tobacco at (a) 90 percent of parity when marketing quotas are in effect, (b) zero if quotas have been disapproved,

and (c) on a sliding scale if quotas are not in effect but have not been disapproved. The Agricultural Act of 1949 which established the present method of calculating parity also made provisions for the announcement of minimum support levels prior to planting time. Effective support levels for each kind of tobacco are the higher of the minimum announced levels prior to planting time or the actual level based on parity as of the beginning of the marketing season. The effective support levels for the 1956 crop of tobacco compared to the previous year are as follows:

<u>Type of tobacco</u>	<u>1955 average loan level (Cents per lb.)</u>	<u>1956 average loan level (Cents per lb.)</u>
Flue-cured, types 11-14	48.3	48.9
Burley, type 31	46.2	48.1
Fire-cured, types 21-23	34.6	36.1
Dark air-cured, types 35-36	30.8	32.1
Virginia sun-cured, type 37	30.8	32.1
Maryland, type 32	No support	47.0
Ohio filler, types 42-44	24.7	23.4
Conn. Broadleaf, type 51	53.9	52.5
Conn. Havana Seed, type 52	50.8	49.0
N. Y. & Pa. Havana Seed, type 53	25.0	23.6
Southern Wisconsin, type 54	24.5	22.8
Northern Wisconsin, type 55	32.0	29.6
Puerto Rican, type 46	31.9	31.4

#### Alternative Methods of Marketing Controls

Extensive efforts to generally tighten up the administration of the marketing quota program have diverted attention to various methods of marketing controls which could be made applicable to tobacco. Public Law 96 passed in the last Congress directed the Secretary to make a study and report on the various methods of marketing controls which have been or could be made applicable to burley tobacco. The method of operating a quota program based on acreage restrictions alone has served to intensify the effort to increase yields per acre, which at the same time decreases the proportion of the crop having the flavor and aroma characteristics currently in demand. As acreage allotments are further reduced to off-set increased yields, the pressure to further increase yields can be expected to become more intense. Therefore, there seems to be an urgent need to consider some method of administering the quota program which will reduce the likelihood of continued reduction of acreage allotments to off-set increasing yields.

The following example of an "acreage-poundage" farm marketing quota system is one approach which may offer some possibility in connection with this problem. Legislation authorizing such a system and a referendum of the growers would need to be conducted before the system could be incorporated in the administration of the present program. Further details with respect to suggested mechanics of the system may be received from the Tobacco Division, CSS.

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Example of a tobacco "acreage and poundage" farm marketing  
quota calculation

	<u>1st year</u>	<u>2nd year</u>	<u>3rd year</u>	<u>4th year</u>
1. Base acreage allotment (Existing acreage quota).....	4.00	4.00	4.00	4.00
2. Acreage brought forward (Item 9 for preceding year)....	xx	-.20	-.10	+.20
3. Annual acreage allotment (Item 1 ÷ or - Item 2).....	4.00	3.80	3.90	4.20
4. Yield per acre (Present Soil Bank yield).....	1500	1500	1500	1500
5. Base poundage allotment (Item 1 X Item 4).....	6000	6000	6000	6000
6. Annual poundage allotment (Item 3 X Item 4).....	6000	5700	5850	6300
7. Actual sales (and Soil Bank) Lbs. (Tabulated in county office).....	6300	5850	5550	6300
8. Over (+) or under (-) Lbs. (Difference between 6 and 7)...	+300	+150	-300	0
9. Over or under in acres (Item 8 divided by Item 4).....	+.20	+.10	-.20	0

Explanation

The proposed method involves starting with the existing acreage allotment which would become the "base acreage allotment". The acreage allotment for any given year, called the "annual acreage allotment", would be the base acreage allotment plus or minus an acreage equivalent to the amount by which the sales of the preceding year exceeded the poundage allotment for the farm.

The first step in establishing a poundage allotment for each farm is the establishment of a yield per acre. Under the Soil Bank program, a yield per acre was established for each farm. Generally speaking, the yield per acre was the average of the three highest yields obtained for each farm during the six year period 1950-55, with a maximum limit of 125 percent of the county average yield and a minimum of 80 percent of the county average yield. The "base poundage allotment" is the poundage obtained by multiplying the base acreage allotment by the yield per acre. The annual poundage allotment is obtained by multiplying the annual acreage allotment by the yield per acre.

At the close of each season, the actual sales are tabulated from the Memoranda of Sale and a determination made as to the poundage by which the actual sales are over or under the annual poundage allotment (any poundage for which payment is received under the Soil Bank program is included as "sales" for this purpose). The amount by which sales are over or under the annual poundage allotment is converted to acres by dividing the overage or underage by the yield per acre. During the first year of operation under the program, the base acreage allotment and the annual acreage allotment will be the same, as will the base poundage allotment and the annual poundage allotment. In subsequent years the annual acreage allotment would be reduced

below or increased above the base acreage allotment by the acreage equivalent of the overage or underage for the preceding year. Similarly, the annual poundage allotment would be the annual acreage allotment multiplied by the yield per acre and, therefore, reflects the extent of the overage or underage for the preceding year.

Under this system, the base acreage allotment for each farm would be established based on the proclamation of the amount of the national marketing quota by the Secretary. The annual acreage allotment and the annual poundage allotment would, however, be established by the grower or growers on each farm. Therefore, increases in yields per acre on individual farms would not necessitate across-the-board reductions of acreage allotments. This system assumes that the yields per acre for the individual farms would be fixed one as to the other to the same extent that acreage allotments are fixed one farm as to another. Therefore, failure on any farm to produce the amount of the annual poundage allotment because of adverse weather or underplanting would increase the allotment for that farm for the next year. Conversely, the production of more than the annual poundage allotment would reduce the allotment for the next year. Accordingly, the incentive to plant more than the allotment with the expectation of destroying the excess would be largely eliminated. Also, the extraordinary incentive which is present under acreage controls only to maximize the yield per acre without regard to quality and other factors would seem to be eliminated.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Foreign Agricultural Service

OUTLOOK FOR AGRICULTURAL EXPORTS

Statement by Clayton E. Whipple, Acting Administrator,  
Foreign Agricultural Service, at 34th Annual Agricultural  
Outlook Conference, Thomas Jefferson Auditorium, USDA,  
November 26, 1956 -- 2:00 p.m.

We have had three years of steadily improving agricultural exports. Any projection we make for the future must take into account the troubled international situation. However, even before the outbreaks in Poland and Hungary, and the disturbances in the Middle East, it became apparent that this would be a fourth year of continued improvement.

We have the help of the strong export factors that were operative last year--such as our abundant supplies, foreign customers with an increasing amount of money in their pockets, and U. S. Government programs to encourage exports, plus such factors as the new competitive export pricing of cotton.

The international tensions add additional factors. If such tensions continue, or get worse, then there will be incentive for some of the foreign countries to buy more from us, especially of storable farm commodities. This would be especially true for some Western European countries. For one thing, the Suez blockade has put our shippers in a more favorable geographic position than those foreign shippers who depend on the canal. For another, stockpiling is a pretty normal development when times are uncertain.

So, however we look at it, American agriculture seems to be in for a big export year.

Last year the volume of our agricultural exports was the highest in 29 years. Even prior to the new emergency, there was prospect of a further increase in 1956-57 export volume of some 25 percent, bringing a level far above any year in U. S. export history.

Current emergencies indicate probability of an even greater increase, though the full effect of today's tensions cannot yet be determined.

On a value basis, we look for farm exports in 1956-57 to exceed the \$4.1 billion record established in 1951-52.

### The Problem of the Suez

It's a real job to appraise the domestic outlook, but the export outlook has even more variables. The biggest of these has to do with changing world events and the decisions of foreign governments.

The Suez crisis is a current example. The blockade of the canal has set up a chain reaction that is being felt by all world trade.

Last year 15,000 ships passed through the canal. Their cargo included 64 percent petroleum and 15 percent agricultural commodities. Northbound traffic was destined principally for Europe, with some coming on to North America. Agricultural items moving north through the canal normally include substantial amounts of vegetable oils, seeds, and cake; grains, including wheat and rice; textile fibers, including jute, wool, and cotton; and rubber. Such shipments are very important to Europe.

So today Europe finds this supply-line closed. It is beginning to ration its petroleum supplies. Shipping from the Middle and Far East and Australia has to come around the tip of South Africa, which is slower and more costly. World shipping is tight. Ocean freight rates have gone up and so has insurance. Already there is indication of increased buying of our storable commodities because of the Middle-Eastern situation.

If the Suez crisis is not resolved soon, Western Europe may face a reversal in its expanding economic activity, with deterioration in its balance of payments and its available dollars. Under such conditions, its big emphasis might be on buying fuel, raw materials, and selected agricultural products. This should mean increased orders for essential foods and fibers to build up larger

stocks, provided that sufficient bottoms are available to move these cargoes.

This means, then, that the Suez crisis might lead to moving more of our farm commodities. But we also need to be realistic and note that this short-term gain also could prove to be a long-term loss. Any stockpiling this year might bring proportionately smaller exports next year. At least, that was the story of the conflict in Korea; farm exports went up a third one year, but were a third below normal the next.

### The Problem of the Iron Curtain

The communist bloc, spearheaded by Soviet Russia, presents an international political problem, but also has strong economic implications. To some extent, certainly, our farm exports will continue to be influenced by policies of Soviet Russia and its satellites.

Soviet Russia had a large grain crop this past season. This was due to generally favorable weather conditions east of the Volga and Urals where there has been a large expansion in acreage. This means that the U.S.S.R. is in an improved position to increase its grain exports, both to Eastern European satellites and to the Free World. In fact, Soviet Russia already has larger export commitments to both such areas.

Another side of the picture is that the Soviet bloc also is taking competitive production off the Free World market through imports. For example, it is buying rice from Burma and cotton from Egypt through long-term bilateral purchasing arrangements. While from our marketing point of view it may be advantageous to have these competitive supplies taken up, there have been some backfires from these deals -- some of the rice from Burma has been resold to Ceylon and some of the cotton from Egypt has reappeared in Western Europe. Furthermore, from our foreign relations point of view we also need to be aware of the dangers of this continuing economic penetration of the Free World.

In evaluating our agricultural export outlook, we also need to consider

the prospects for United States trade with the Soviet satellites. This area has become a large market for agricultural products. Soviet Russia is the main supplier of that market at present. We note its recent offer to send 1,400,000 tons of grains to Poland. Also, Soviet Russia may find it expedient to send increased quantities of food and feed to the other neighboring areas, particularly Hungary.

The United States is moving some agricultural supplies to this area through relief programs. The White House announced on November 2 that a relief program in the amount of \$20 million was available to the people of Hungary. Food supplies donated by the U. S. Government and already in Austria, have been diverted by U. S. voluntary aid groups to the people of Hungary.

Only with certain conditions fulfilled can the satellite countries become an important market for U. S. agricultural products. Where we have given reduced prices to make our commodities competitive in the Free World, we'd have to offer the same concession to Iron Curtain buyers if we expected to make any sales.

#### Principal Agricultural Export Factors

The above are export factors that are tricky and need to be considered but others, certainly, are more substantial and can be better evaluated.

Abundant Supplies. The most important export influence is the simple and obvious fact that we have abundant supplies. We're prone to do so much negative talking about surpluses that we forget that these stocks put us in a very favorable and positive export position. We sometimes have trouble with our pricing, but from the supply standpoint it's well known that U. S. agriculture is a dependable source of a wide range of products.

Foreign Prosperity. Another important export factor is the current prosperity and economic expansion of a number of countries. Our four best

customers last fiscal year were Japan, the United Kingdom, Canada, and West Germany. Economic activity is high in each of them. It is true that the U. K. is confronted with special financial problems, and Japan faces special trade balance problems. Nevertheless, we can expect a heavy flow of farm products to these and many other Free World countries.

Government Programs. Government export programs are another important trade stimulant. By far the most important of such programs are CCC sales of its stocks at competitive export prices. This is in furtherance of our policy of moving as many exports as possible for dollars.

The domestic prices of some of our farm commodities are above world prices. Notable examples are wheat and cotton. In order to bring prices of such commodities down to world levels and thereby make them competitive, the government absorbs the difference between domestic and world prices. Without this program export levels of wheat and cotton could not be maintained. Exports of U. S. cotton, for example, this year will be about three times last year's unusually low level because Commodity Credit Corporation cotton is being made available for export at world competitive prices and foreign buyers thereby are given incentive to rebuild low stocks.

Other important government programs include sales for foreign currencies, barter for strategic materials, and direct grants for foreign relief. These three programs last fiscal year accounted for about 40 percent of our agricultural exports.

A considerable portion of existing government programs are combined in Public Law 480, the Agricultural Trade Development and Assistance Act of 1954. Sales for foreign currencies, barter, and foreign relief grants are authorized by this act. Public Law 480 has been operating not much over two years, yet it has considerably expanded our agricultural exports to dollar-short countries. Under Title I alone, 30 countries have entered into foreign currency

purchase agreements totaling over \$2.5 billion, CCC value. The United States uses a small portion of currencies thus accumulated in building long-range overseas markets for our farm products, through sales promotions, marketing studies, trade fair exhibits, and other devices.

No new programs may be undertaken under Titles I and II of Public Law 480 after next June 30, under current legislative authority. Any renewal of these programs is, of course, a matter for Congressional consideration.

Increasing Population. Another factor that strengthens the agricultural export outlook is the fact that each year there are more world consumers. We now estimate the world's population at 2.7 billion persons, or 23 percent more than the average population of 1935-39.

Foreign Expansion of Production Slackening. Not to be overlooked, also, is the fact that postwar expansions in agricultural production are slackening in some areas and are barely keeping pace with population growth. This is evident in Western Europe and in several countries of the Far East and Latin America. However, production is expanding in some other areas, including Mexico, Argentina, Australia, and New Zealand.

Lower Prices. Prices of some commodities have weakened. In the case of cotton, the decline has improved the cotton surplus situation by encouraging greater consumption of textiles generally, discouraging substitution of synthetic fibers, and causing several countries to rebuild their cotton stocks.

Weather. Despite unfavorable weather in parts of Western Europe and in Australia, foreign production has been well maintained and is slightly up from last year. Nevertheless, the poor wheat crop in West European countries, particularly in France, and the short citrus crop in Spain contribute to U. S. export opportunities.

Outlook Summary, by Commodities

The outlook, by commodities, shapes up about as follows:

Food Grains. The export outlook for United States food grains is optimistic. Indications are that world wheat import requirements should exceed the estimated 1955-56 level of 1,016 million bushels, perhaps reaching the all-time record of 1,066 million bushels set in the 1951-52 marketing year. United States exports are expected to exceed 400 million bushels, large enough to result in some reduction in our carryover stocks. Factors include increased import requirements in most European countries because of smaller crops and inferior milling quality of much of the crop, as well as better buying ability of many importing countries, improving nutritional levels, and possible building up of reserves.

For rice, 1957 world import demand will continue at last year's high level despite record world production in 1956-57. World supplies available for export are down. Virtually all carry-over stocks in exporting countries are committed for export. United States rice exports in 1957 should reach a new record level about double the 1956 level of 1.1 billion pounds. These shipments, made primarily under government programs, should enable us to liquidate the accumulated surplus from the 1953, '54, and '55 crops.

Feed Grains. World import requirements of feed grains in 1956-57 are expected to be substantially under the 1955-56 estimated level of 17.2 million short tons, when the United States provided about half the total. A significant part of the U. S. gain in 1955-56 was accounted for by increased needs in Western Europe resulting from the severe winter. While our feed grain exports this year will still be high, they are expected to fall below last year's record. This reduction is expected because of a prospective decline in European demand due to rather heavy supplies of low quality wheat in Europe, an unprecedented barley crop in France, a big supply of barley and

oats in Canada, and prospects for more corn for export in Argentina. However, despite increased foreign competition we believe that U. S. feed grain exports in 1956-57 will equal or exceed the 5.2 million tons exported in 1951-52. In that year exports were the highest of the last five-year period, except for the all-time record level of 8.4 million tons shipped abroad last year.

Cotton. Cotton exports this season are expected to be the highest in 23 years. By contrast, last year's total was the second lowest for any peacetime year since 1871-72. The current outlook for exports of about 6.5 million bales is three times the 1955-56 export total.

This sharp rebound is due mainly to our cotton being offered for export at competitive world prices, after a year of being undersold by foreign growers by as much as 8 cents a pound. It is further aided by sales made for foreign currencies. CCC sales to United States exporters for export in 1956-57 totaled about 5.7 million bales in mid-November.

Military activities in the Middle East, occurring when importing countries' stocks were low and consumption rising, set off a wave of heavy buying for import. Blockage of the Suez Canal brought further demand for U. S. cotton because cotton that normally moves through the Canal to Western Europe (1.2 million bales last year) is delayed until high cost transportation around South Africa can be arranged. Prospects for further inflation due to disturbances in Eastern Europe and the Middle East also provided foreign incentive to rebuild inventories of cotton goods and raw cotton.

Foreign exporting countries had very low stocks as the current season began. Their supply for export this year will be about 1.5 million bales less than last year; therefore, they cannot take full advantage of the new, stronger demand.

Tobacco. United States exports of unmanufactured tobacco this fiscal

year are expected to decline from last year's extremely high level. Exports probably will be around 500 million pounds, compared with 578 million last year--a drop of 13 percent. Higher prices for certain traditional export grades, larger stocks in a number of major importing countries, and increased supplies in competing exporting countries all indicate a lower export figure. Also, U. S. tobacco growers are producing a higher proportion of certain qualities of flue-cured leaf that are lacking in flavor and aroma, not suitable for the export market. Major competing exporting countries--with the exception of Canada--are expanding their use of bilateral trading arrangements.

Favorable export influences include: (1) increasing foreign consumption of cigarettes using large percentages of U. S. leaf; (2) the generally superior quality of most U. S. tobacco; (3) sales under government programs; and (4) the superior sales efforts of the U. S. tobacco trade.

Fats and Oils. Despite a prospective moderate increase in foreign production of fats and oils, U. S. exports of these commodities, excepting flaxseed and linseed oil, are likely to remain heavy.

From October 1955 through September 1956, the U. S. exported nearly 5 billion pounds of fats and oils, including soybeans and flaxseed in terms of oil. New highs were set in exports of tallow and greases, soybeans, flaxseed and soybean oil. Exports of lard, and cottonseed and linseed oils also were large.

Foreign demand is continuing strong and is likely to be intensified by disturbed international conditions, possibly leading to a general desire abroad to increase relatively low recent inventories. Soybean exports in 1956-57 probably will rise well above the 66 million bushels of last year. Exports of cottonseed and soybean oils are likely to approximate the almost 1.2 billion pounds shipped in 1955-56. Lard and tallow and grease exports, on the other hand, may decline moderately, owing to a smaller U. S. production.

Exports of flaxseed and linseed oil will probably decline sharply because, with major increases in the 1956 Canadian and Argentine flaxseed crops, prices in world markets have declined and are too low to permit the sale of U. S. flaxseed abroad at levels reflecting U. S. support prices.

Livestock and Meat Products. United States' exports of meats, lard, tallow and greases, variety meats, cattle hides and calf skins continue high and prospects appear favorable in the year ahead. Prices generally are competitive. Considerable exports of packing house products are being financed by government programs.

World meat exports are up. Meat consumption has increased in a number of countries. Western Europe continues to be a big market. Our meat exports this year are expected to be the largest since the end of World War II.

U. S. exports of lard may total around 700 million pounds in 1956, or about one-fourth of our production. U. S. exports of tallow and grease have risen from 552 million pounds in 1951 to 1.7 billion pounds this year. The U. S. will continue its new position as a dominant exporter of cattle hides and calf skins.

Dairy and Poultry. U. S. dairy exports for 1956 are largely maintaining the gain that was established in 1955 over the previous year. The major proportion of the export gain in the two years was a result of government programs including donations. The outlook for 1957 is favorable but exports may be down somewhat from the average level established for the last two years of about 6.3 billion pounds on a whole milk equivalent basis. There will be a drop in butter exports in 1957 due primarily to this product not being available for foreign donation. However, this drop will be partially offset by an increase in cheese exports. Exports of evaporated milk, condensed milk, dry whole milk, and nonfat dry milk will be maintained at approximately the 1956 levels.

U. S. exports of eggs and poultry products for 1956 are estimated at over \$40 million, whereas it is believed that 1957 exports should approach \$50 million. Exports of shell eggs should increase by \$1 million, or 75,000 cases, while poultry meat exports should increase by \$5 million or 12 million pounds.

Fruits and Vegetables. Increased opportunities are in prospect for 1956-57 exports of many fresh and processed fruit items. Recent moves to liberalize imports of dried fruit items in Western Germany, Norway, and Denmark should contribute toward increased exports to Northern Europe in 1956-57.

The extremely short 1956 Spanish orange crop provides an exceptionally favorable opportunity for increased exports of United States winter oranges this season. Similarly, the small Yugoslav prune crop contributes toward a favorable export market for U. S. prunes. Exports of U. S. almonds to Europe probably will reach record levels in view of the light Mediterranean crop.

Exports of U. S. fresh pears may increase above those of last year, although apple exports are expected to be light in view of the short U. S. crop. U. S. canned fruit exports are expected to increase as new markets are developed.

In conclusion, then, the general outlook for U. S. farm exports for the immediate period ahead is extremely promising.

But this does not mean we can sit back and be satisfied. The level of our agricultural exports, though good, is not keeping up for example with the expansions made by our own industrial exporters. During the last marketing year, the value of our farm exports was 14 percent below the high 1951-52 level-- whereas industrial exports were 16 percent above.

Ever since the war, many Free World countries have been making an all-out effort to increase agricultural production. Farm products have had relatively high purchasing power in buying industrial products -- about 50 percent above

the 1938 relationship. By exporting more farm products foreign countries have been obtaining additional exchange needed in their industrial expansions. All this has worked in favor of industrial exports but it has worked against our agricultural exports.

We have no guarantees that our agricultural exports will remain at present high levels. We face a lot of competition. With world trade on the rise and with need for all possible outlets for our own production, the only goal we can settle for is continued effort to secure large foreign markets for our farm products.

# # #

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service  
Household Economics Research Branch

✧ THE OUTLOOK FOR CLOTHING AND TEXTILES IN 1957 ✧

Address by Harry Kahan, Prices and Cost of Living Division,  
Bureau of Labor Statistics, U. S. Department of Labor, at  
the 34th Annual Agricultural Outlook Conference, Washington  
25, D. C., Tuesday, November 27, 1956

In the development of an outlook for clothing and textiles for 1957, it is important to know what our economists and businessmen think about the over-all business outlook for next year. A recent article in the Journal of Commerce states that according to the results of a survey of 221 economists polled by F. W. Dodge Corporation inflation is expected to account for the major part of new gains in business activity in 1957. The Wall Street Journal earlier reported that a cross country check showed that retail prices are heading upward in a wide variety of products. The findings were based on interviews with more than 50 manufacturers, distributors and retailers.

For apparel and textiles, this general outlook for higher prices is supported to some extent by recent increases. However, there is a strong tendency among retailers to raise prices on a selective basis, that is, for some items in a general line of merchandise but not for all items, and to vary mark-ups according to market conditions. Manufacturers also are tending to drift away from across the board increases to pricing by item. Thus, while there is expectation of higher prices for some items in the apparel and textile lines, all indications are that the increases will be moderate.

There are various factors in the structure and practices of the apparel and textile industries and in the character of the current markets for the products that led me to this expectation of moderate increases in 1957.

Today the clothing market is a buyers market--fully competitive. With the exception of a tightness for woollens, stocks are generally adequate at both the wholesale and retail levels. The capacity of the textile industries to produce the materials and of the clothing industries to manufacture is unquestionably adequate.

In the apparel manufacturing industries, there are over 30,000 establishments. About 97 percent of these companies employ less than 250 workers. The remaining 3 percent of the companies, however, account for 28 percent of the sales volume. The ratio of the number of employees to the value of shipments is approximately the same in both large and small companies. Distribution is

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NOTE: Opinions expressed in this paper are those of the author and do not necessarily represent the position of the Bureau of Labor Statistics or the U. S. Department of Labor.

is basically accomplished by direct selling to the many thousands of outlets. Unlike some other industries where a few giant companies raising prices to overcome increased costs can generate a general price movement, the apparel trades have no such leaders to set the pace. The manufacturer in selling to the retailer is aware of this and acts accordingly in setting prices.

Manufacturers' prices are graduated to fit into the general price lines of retailers. That price insofar as the retailer is concerned, represents a definite quality range that is to be fitted into his merchandising policy.

In reducing prices the manufacturer can neglect competitive problems. When his costs increase, however, he must give careful attention to his competitive position. He may find it necessary to absorb all or part of the cost increase in order to hold his market. The clothing manufacturer also recognizes that competition in a price field sets the level of quality.

At a given price the product must include a quality of materials of a fixed tolerance and a measure of one or more of such features as:

1. Style
2. Fit and Comfort
3. Workmanship
4. Strength and Durability
5. Resistance to Shrinkage
6. Color Fastness
7. Special features such as Washability, Crease Resistance, etc.

The combination of these features develops a garment designed to meet a level of consumer demand. It also permits limited downward quality adjustments to meet higher production and operating costs rather than outright price change. When costs move too high (despite earlier quality depreciation), the manufacturer may take a small increase or reinstate the original quality at a full increase. If either of these alternatives is not feasible because of competition, the item is dropped from production. Such decisions are usually made before the start of the season.

The net effect of these practices frequently results in little direct relationship between the price movement of textile materials at the manufacturers' level and the price movement of apparel at the manufacturers' and retail levels. The changes in prices that have occurred in the past four years, for example, provide an interesting contrast.

The apparel group of the Wholesale Price Index of the Bureau of Labor Statistics stood at 99.3 in September 1952 as compared with 99.7 in September of 1956. During these four years, prices remained relatively stable except for minor seasonal variations. However, material prices followed a downward trend. Woolen textiles declined steadily. The September 1952 index of 112.4 eased to 111.2 in September 1953, further weakened to 109.6 in September 1954 and dropped to 103.0 in September 1955. In the past year, prices for woolen textiles had strengthened somewhat and the index was 103.9 in September. Prices for cottons and materials of manmade fibers followed a similar pattern of steady decrease. From September 1952 to September 1956, the cotton textiles index had

declined 7.4% and manmade textiles 9.5%. The decline in the prices of textiles occurred during a period of wage stability in the apparel trades. Between the summer of 1953 and the summer of 1956, the clothing unions did not negotiate for general wage adjustments because of the inability of the clothing industry to move with the general prosperity of the country.

Prices of apparel at the retail level have also fluctuated within a relatively narrow range over the past four years. The apparel group in the Consumer Price Index stood at 105.8 in September 1952, was down to 104.6 by September 1955 and by August of this year, the index was back near the 1952 level. Between August and September, the index for apparel advanced about one percent to bring it to the highest level since February 1952.

The index for men and boys' apparel, which moved down approximately 2 percent between September 1952 and September 1955, recovered most of this decline by August 1956. In September the index moved up from 107.7 to 108.3.

The women's and girls' apparel index, which sagged slightly more than the decline for men's and boys' apparel during the September '52 - September '55 period continued its downward movement to August of this year. In September, however, a strong upward price movement raised the index 1.5 percent to just above the September 1955 level.

Footwear prices showed a slow steady upward trend during the 1952-1956 period. Between September 1952 and September 1955 they advanced on the average 3.4 percent. With the exception of a slight drop in May, the index has continued up in the current year recording an increase of 5 percent from January to September.

The retailer, who also follows the practice of adhering to historical rigid price brackets or price lines is now reappraising his markup policy because of inching up wholesale prices and rising operating costs. He feels the need for a longer markup. However, new competition and shopping habits have invaded the field of retail clothing which may oblige him to shorten his markup in several categories of apparel. Many retailers feel that the potential of this new competition is dangerous.

The supermarkets, successors to the neighborhood grocery stores, after experiencing successful merchandising of kitchen and home wares have introduced lines of counter merchandise which lend themselves to self service. Women's packaged nylon hose and men's work gloves were the forerunners followed by men and boys' undershirts and shorts, socks, men's and boys' white shirts. The merchandise variety has been further expanded to include children's wear and items such as skirts and blouses that can be tried on without resorting to a fitting room. Since the gross markup in supermarkets is approximately one-half of that in clothing stores, such merchandise can be profitably sold at promotional prices.

The discount house type of operation has also invaded retail apparel distribution. Since many customer and in-store services have been eliminated, the discount house realizes a higher margin. A similar streamlining is being adopted by many of the conventional independent and chain stores.

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The expanding retail clothing store chains integrated with company owned factories with their claims of lower prices for comparable qualities contribute to the keener competition.

In the last 10 years between 1600 and 1800 shopping centers have been developed. The 1957 predictions are that approximately half of all new chain stores will be located in such centers. With the growth of the suburbs, retailers in downtown areas are facing a problem of inducing customers to continue to shop downtown.

These developments do not imply that higher wholesale prices will not produce higher retail prices. They do suggest that the retailer may be obliged to operate on a narrower margin and absorb increased costs. Regardless of pricing problems the price outlook will be heavily influenced by costs of materials and labor which we will discuss in that order.

#### MATERIALS:

##### Wool

Wool cloth prices are nudging upward because of rising fiber costs. Announced price increases of 5 to 10 cents per yard are expected to be followed by further increases according to mill executives. Prices of raw wool will probably remain at a high level at least until next April because of low domestic supply and high foreign prices. Wool textile sales prospects meantime continue bright.

Per capita consumption during the first 6 months of 1956 was at an annual rate of 3.2 pounds, up 10.5% over the rate for year earlier period. Industry economists attribute the increase to growing demand and depleted stocks throughout the world.

The Wool Bureau notes that stocks actually in mill and dealer hands totaled, as of October, less than  $2\frac{1}{2}$  months supply compared to a traditional safe operating level of 4 months supply.

With this market outlook it appears that higher prices for wool textiles will be paid by clothing manufacturers for both the Spring and Fall 1957 lines.

##### Cotton

Current prices of raw cotton are approximately 10% lower than that of June 1956. From February to September 1956, the Bureau's Wholesale Price Index reflected a steady downward drift in cotton yarn and broad woven goods while the index for textile housefurnishings was unchanged during that period at 95.3 (except for a dip of .1% in April).

In October, cotton textile prices strengthened on the announcement of a 10 cent hourly general wage increase which was granted that month to some 600,000 southern cotton and synthetic textile workers. Price rises were further supported by higher charges for dyeing and printing of unfinished cloth.

While makers of finished goods have issued higher price lists, gray goods mills are striving to maintain price levels established when the round of increases accompanied and followed the southern wage hike.

### Man-made fibers

In February of this year, the Wholesale Price Index for man-made fiber textile products was 84.8 and by April dropped sharply to 80.6. By August, the index drifted down to 80.3. The larger mills and many of the small mills suspended production during the Labor Day week in an attempt to firm-up prices. Four-day production weeks are not uncommon in this industry at the present time.

The annual per capita consumption rate (using the first 6 months of 1956) of cotton at 23.8 pounds showed an increase of 2.5% over the 1955 rate, while synthetic fiber consumption--at 9.9 pounds--was down 11.5%.

The southern textile mills in the general 10 cent hourly wage hike in October advanced prices of broadwoven goods and recovered some of the earlier losses in 1956.

Trade sources are inclined to be cautiously optimistic but anticipate only modest increases to adjust the margin between production costs and selling prices. In this matter it should be noted that rayon, the competitor of cotton, represents 19.7% of all U. S. man-made fiber production. Cotton, the ranking textile, accounted for 77.8% of all the cloth made in the U. S. last year.

### LABOR:

During the first nine months of 1956, a total of approximately 4,500,000 workers in the United States have been engaged in wage negotiation. In the textile, clothing and shoe industries, significant wage adjustments were effected. Illustrations of some of the negotiated increases involving large groups of workers are:

In the shoe industry, April 1956.--27,000 workers employed by 2 large shoe companies received 3% increases.

In the boys' clothing industry, June 1956.--150,000 boys' clothing workers received  $12\frac{1}{2}$  cents hourly increase, the first general pay rise in 3 years.

In the lingerie industry, July 1956.--19,000 lingerie workers received 6% increases for piece work with a \$1.10 minimum. Other workers and cutters received increases of \$3.00 and \$3.50 per week respectively.

In the millinery industry, July 1956.--10,000 millinery workers in New York area received a 5% increase for piece work and \$5.00 per week for regular time.

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In the dress industry, August 1956.--8,500 garment workers in Philadelphia received 7 to 10 cent hourly increases. The minimum wage increased from 85 cents to \$1.05 per hour with further increase to \$1.10 next March.

In the shirt industry, September 1956.--100,000 workers in the employ of the country's principal shirt manufacturers received a 10 cent hourly increase. This was the first general increase since 1953.

In addition there were two major nonnegotiated wage increases during 1956. The first one occurred in March 1956, when the new minimum wage law of a \$1.00 per hour minimum went into effect for an estimated 475,000 textile and apparel workers. The other mentioned earlier, occurred in October granting 10 cent hourly increases to 600,000 southern textile workers.

#### FORECASTS OF THE TRADE:

Trade sources, in predicting the following outlook for clothing and clothing prices, are inclined to feel that they will not encounter strong resistance from their customers when slightly higher price tags are shown.

Women's and misses' coats and suits.--Unseasonably warm weather has slowed down coat selling. Suits are moving fairly well. Prices may be slightly higher because of increased costs of woolsens. Competition is strong. Retailers expect to be putting more emphasis on higher priced lines.

Women's and misses' dresses.--A good part of the expected increase may be concealed increases, because of the industry's practice of producing garments to specific price brackets. Possible direct price increases are forecast for budget lines where manufacturers are not expected to absorb rising labor costs.

Blouses and sportswear.--Popular casual type wear is being featured by retailers as volume items in medium priced lines. Volume may take up part of the price rise expected in the low priced field.

Hosiery.--Women's hosiery is expected to remain unchanged from present levels. Men's and boys' cotton socks may carry higher price tags.

Footwear.--In the first 9 months of this year, the Consumer Price Index for shoes advanced about 5%. Two of the major shoe manufacturers announced that their prices for the Spring line will be unchanged. However many eastern shoe manufacturers are faced with a second round of 3% wage increases in January 1957 on earlier wage contracts and feel that with other expected increases in production costs they will not be able to follow the leaders. The industry looks forward to a good selling year in 1957. Price increases may be made on a selective basis.

Girls' wear.--There have been forecasts of firmer prices. This group is likely to have slightly higher prices in sweaters and dresses. The prices of the \$1.00 items are apt to move up strongly.

Handbags and accessories.--Leather handbags are lower this season because of earlier softening in the price of leather. Handbag manufacturers see higher prices in the Spring. Costume jewelry prices have not been seriously affected by rises in production costs. The tendency is to trade-up.

Miscellaneous women's wear.--Better lingerie is expected to be slightly up. Higher prices of brassieres, girdles, and other foundation garments are being announced by the trade.

Boys' apparel.--Boys' clothing, especially woolens, may increase in price. Shirts and cotton underwear are expected to be higher.

Men's clothing.--Clothing makers have posted increases ranging from 50 cents to \$3.50 on summer weight suits for next spring. Some makers, however, are holding their old price lines. The industry claims that rising costs of labor and materials will not allow for profitable production at the old price levels. Men's shirts are expected to be 3% to 5% higher. Industry is speculating on a 5% overall increase in men's and boys' clothing. The large clothing stores are passing on the increase in a selective manner but the small merchant, with lighter store traffic is seeking to absorb part of the increases. Percentage wise, larger increases may be expected in the low price lines. Dollar wise quality apparel will probably take the full price increase.

#### RESEARCH:

In the competition to reach the consumer, the textile industry has continually expanded its research and development activities since the close of World War II, creating new fibers, improving wearing qualities of natural fibers, and developing endless combinations of fibers with desirable physical properties.

In the battle between the two ranking textile materials, cotton and rayon, researchers now say they have succeeded in strenghtening rayon and have made it behave more like cotton in the washing machine.

A cotton fabric resistant to flame, water, and acid is in process of development.

Australian technicians are working with chemicals that may mothproof wool before it is clipped from the sheep's back.

In this battle between fibers, the shopper today will usually find a label or tag attached to a garment attesting to the fact that the garment is crease resistant, or shrink resistant, or stain resistant or has qualities of water repellency, durability and a host of other physical properties. Generally, the consumer is famillier with certain textile finishes such as Sanforized, Tebilized, Milium, and Zelan. These, however, are but four of the 342 active trade names of textile finishes produced by approximately 120 companies. Some of these finishes are claimed to impart as many as 25 different physical properties to a fiber, the average being between 5 and 6.

In examining the entire group of 342 trade name finishes, there were 54 designed specifically for man-made fibers and 60 for natural fibers. The balance of 228 could impart one or more physical properties to both natural and man-made fibers.

Of the 60 finishes for natural fibers, 21 were for the treatment of only cotton and 7 for only wool. There were none specifically for treatment of silk or linen. It is interesting to note that of the 342 special finishes, 258 could be used on cotton.

SUMMARY:

In summary, the outlook for clothing in 1957 is generally favorable for the consumer.. It has the indications of a buyers' market in which merchants will be attempting to trade-up. This will produce a greater variety of clothing in medium and better priced lines. Average prices are expected to be slightly higher. The year 1957 may find retail prices reacting more readily to wholesale price increases with many of the increases made on a selective basis. Consumers are becoming more sensitive to price increases which may lead to a wider range of prices between retailers.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

THE OUTLOOK FOR COTTON

Statement presented by Frank Lowenstein at the 34th  
Annual Agricultural Outlook Conference,  
Washington, D. C., November 29, 1956

For the first time since the 1950-51 marketing year, the disappearance of cotton in the United States is expected to exceed production. (See figure 1.) Disappearance during the 1956-57 season is estimated at about 15.5 million bales, the largest since the 1926-27 marketing year. It will probably exceed production by about 19 percent. In 1955-56 disappearance was only 11.4 million bales. The sharp increase is being caused by very much larger exports than in any recent year. Domestic mill consumption is expected to decline slightly from the 1955-56 level.

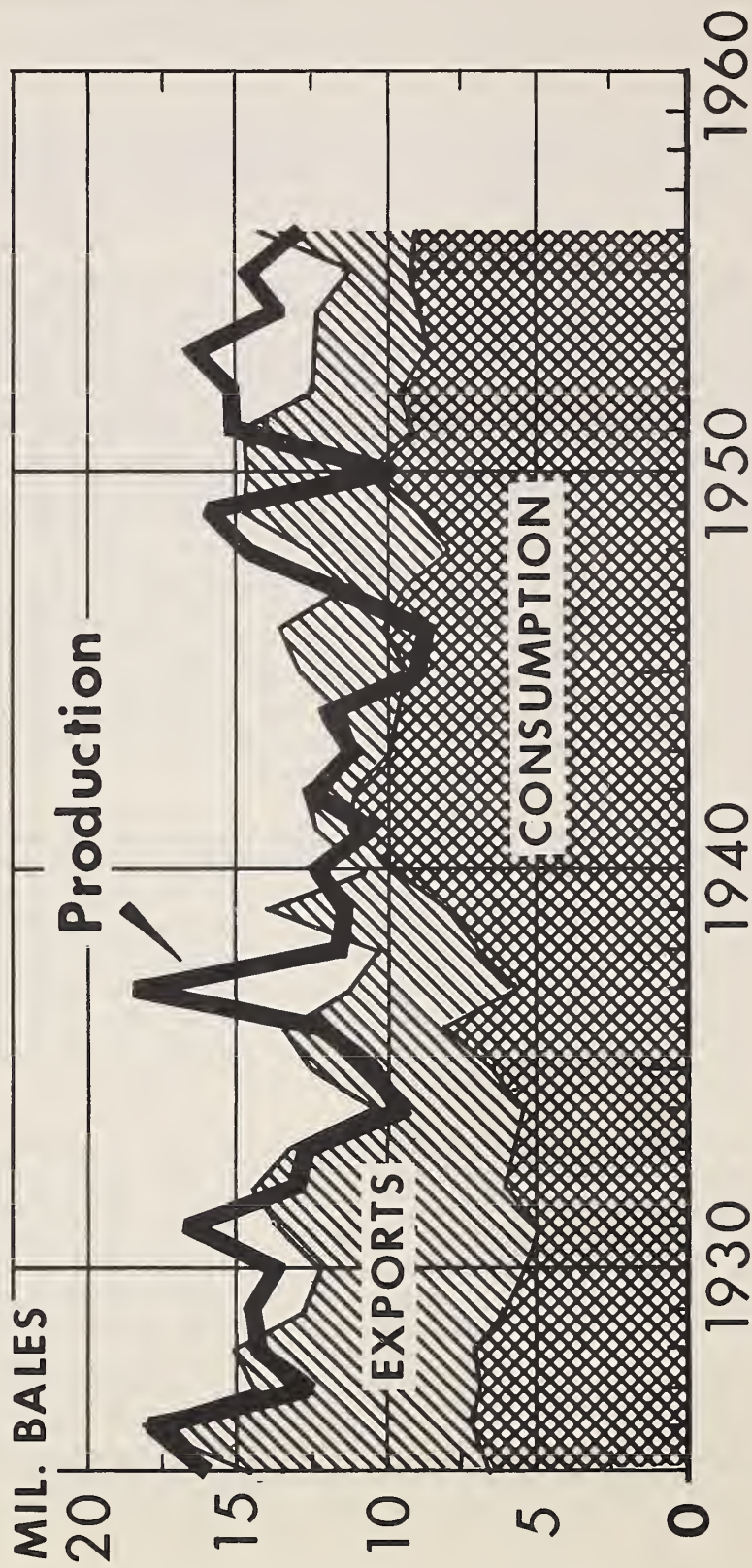
Exports of cotton from the United States during the current season are estimated at about 6.5 million bales. This compares with 2.2 million bales exported in 1955-56. The sharp increase in exports is being caused by the low prices for which the Commodity Credit Corporation has sold cotton for export, the stability of the U. S. export price, the relatively small stocks of cotton abroad at the start of the 1956-57 marketing year and some increase in consumption abroad.

The Commodity Credit Corporation had sold 5.7 million bales of cotton as of November 13 for export during the 1956-57 season. Most of this cotton was sold for slightly more than 25 cents a pound, basis Middling 15/16 inch at average location. The export sales price is about 6.5 cents below the loan rate for the 1956 crop and about 8.5 cents below the loan rate for the 1955 crop. The export program has caused a sharp drop in the U. S. export price from a year earlier and prices for U. S. cotton are competitive with prices for foreign grown cotton. In 1955-56 prices for foreign grown cotton were below those for U. S. cotton.

The Commodity Credit Corporation export program for the 1956-57 season was announced on February 28, 1956, but cotton could not be shipped under the program until after July 31, 1956. Apparently foreign importers held their imports to a minimum during the latter part of the 1955-56 marketing year in anticipation of lower prices for U. S. cotton after July 31. Consequently, stocks of cotton abroad declined sharply. On August 1, 1956 the foreign free world cotton carryover was almost 2 million bales smaller than a year earlier. Foreign countries are currently replenishing their stocks and foreign free world stocks on August 1, 1957 are expected to be about 1.5 million bales larger than a year earlier. At the same time consumption of cotton in the foreign free world is increasing, perhaps by about a million bales, and production of cotton is estimated to be very nearly the same as in 1955-56.

For U. S. Crop

# COTTON PRODUCTION RELATED TO CONSUMPTION AND EXPORTS



DATA ARE FOR RUNNING BALES

U. S. DEPARTMENT OF AGRICULTURE

NEG. 1061-56 (10) AGRICULTURAL MARKETING SERVICE

Figure 1

The United States Government has authorized 424 million dollars to finance cotton exports in the 1956-57 fiscal year. If completely used, these funds would finance the export of about 2.8 million bales. A year earlier about 1.6 million bales of cotton exports were financed under such programs.

The cumulative effect of these developments is to about triple the export of U. S. cotton over those of 1955-56. Changes from the estimates of foreign consumption, production, or ending carryover would alter the size of U. S. cotton exports. If exports should increase above 6.5 million bales because of larger stocks abroad on August 1, 1957 than estimated above, U. S. exports in 1957-58 probably would suffer.

Domestic mill consumption of cotton in 1956-57 probably will be about 9 million bales, compared with 9.2 million in 1955-56. The average daily rate of mill consumption of cotton in August-October 1956 was about 4 percent below the rate a year earlier. However, the rate later in the season is expected to be somewhat higher than the seasonally adjusted rate of the first three months.

The decline in consumption was partially caused by an increase in mill stocks of cotton broadwoven goods in relation to unfilled orders from February through August 1956. Since March the ratio of stocks to unfilled orders showed a contra-seasonal increase. Preliminary data for September indicate that this ratio declined about the normal seasonal amount or more than seasonally from August.

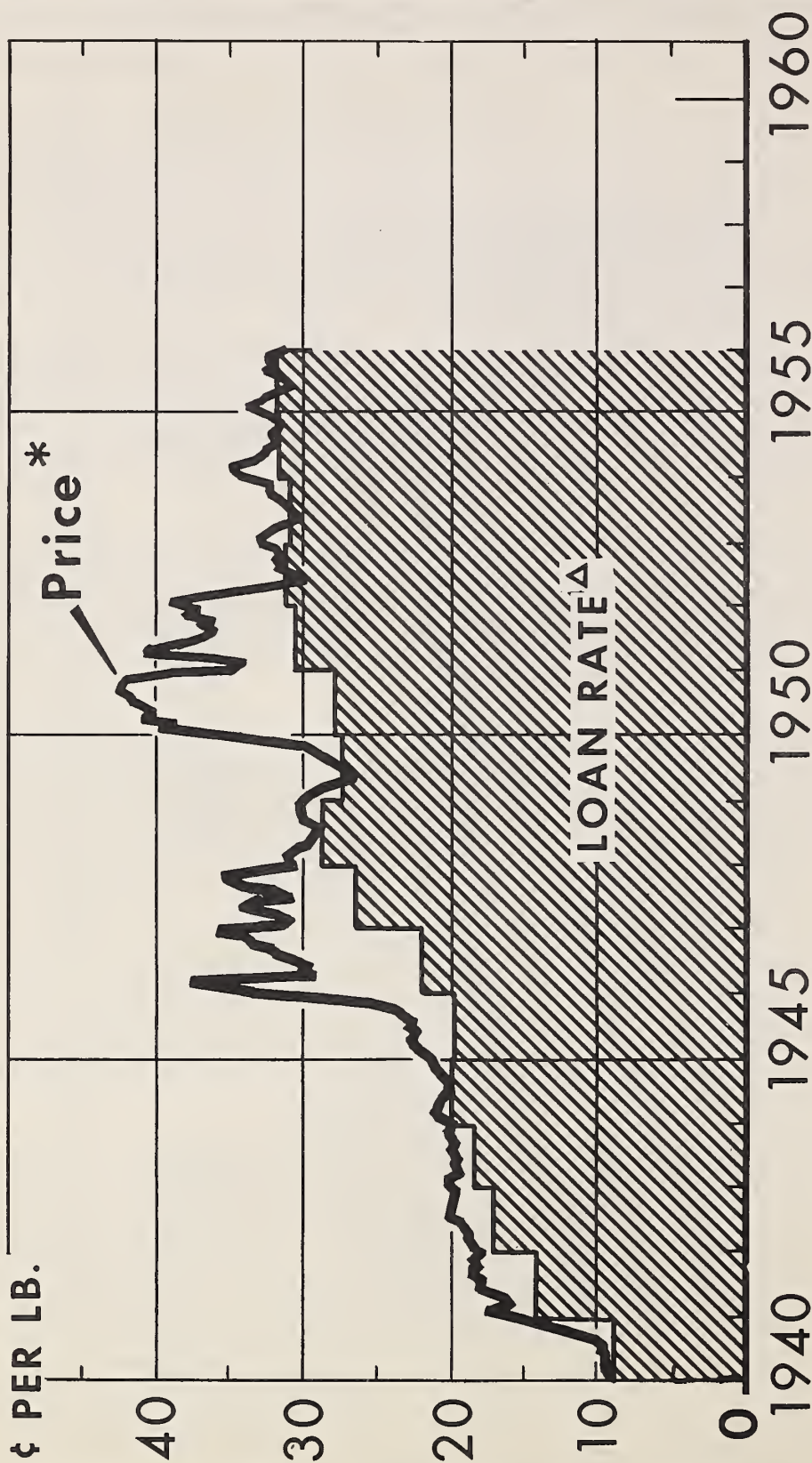
Prices for cotton for domestic mills during the February-July 1956 period were higher than in any other six-month period since August 1952 to January 1953. These prices probably are one factor which caused the decline in the rate of mill consumption during the first three months of the current season. Cotton prices for domestic use during the current season have been lower than they were in the last half of 1955-56.

When supplies of cotton are large, prices received by farmers usually are close to support levels, as shown in figure 2, for the past two marketing years. During the current season all export cotton will be sold by the Commodity Credit Corporation because the export sales prices are below support and domestic market prices. If market prices remain close to the support level, they would tend to stimulate an increase in the rate of cotton mill consumption later in the season.

Consumption of cotton per person in the United States has tended to decline since the end of World War II, as shown in figure 3. On the other hand the consumption of manmade fibers has increased over the same period. Per capita consumption of cotton during 1956 is estimated to be close to a pound less than the 26.5 pounds per capita of 1955 or close to the level of 1954. The per capita consumption of manmade fibers in 1956 is estimated to be about a pound less than the record high of 11.2 pounds in 1955. Consumption of rayon and acetate probably declined about 1-1/2 pounds per person, but the consumption of non-cellulosic manmade fibers probably increased about 1/4 to 1/2 pound. The smaller consumption of manmade fibers may tend to cause the rate of consumption of cotton to increase some within the next 6 or 8 months.

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# COTTON PRICES AND LOAN RATES



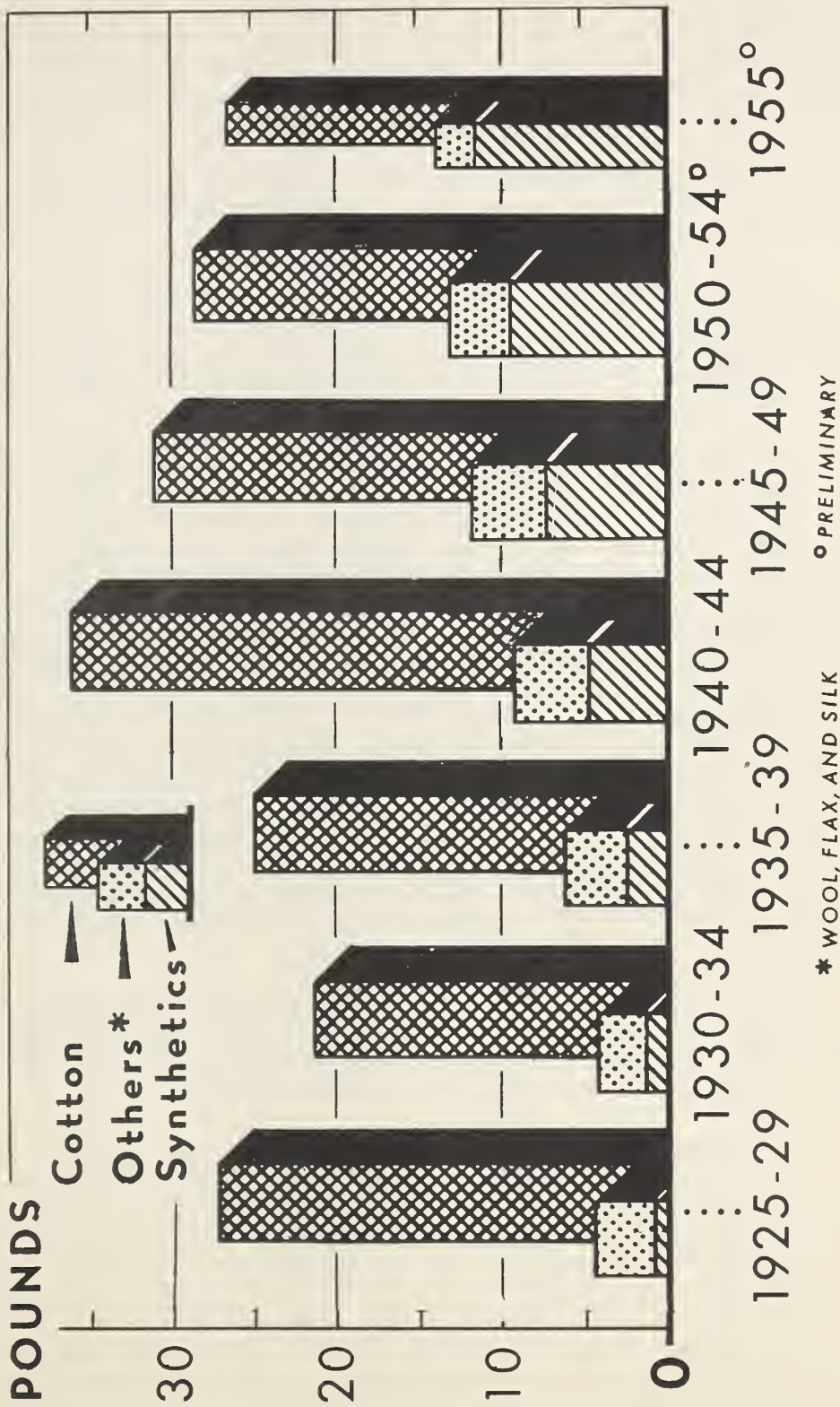
BY MONTHS, YEAR BEGINNING AUGUST

\*AVERAGE PRICE RECEIVED BY FARMERS

△ BASIS MIDDLING 7/8-IN. STAPLE, AV. LOCATION

# Natural and Synthetic Fibers

## FIBER CONSUMPTION PER PERSON



U. S. DEPARTMENT OF AGRICULTURE

NEG. 498-56 (3) AGRICULTURAL MARKETING SERVICE

Figure 3

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The supply of cotton in the United States for the current season is estimated a record high of 27.6 million bales. This compares with the previous record last season of about 26 million. The 1956-57 record occurred despite a decline in production of about 1.5 million bales. The larger supply was caused by an all time high starting carryover of 14.5 million bales.

The previous record for the carryover was about 13 million bales in 1939. The carryover on August 1, 1957 probably will be close to 2.5 million bales smaller than that of 1956.

The yield per harvested acre of cotton, in 1956 is estimated at about 403 pounds. This is higher than for any crop except for 1955 when it was 417 pounds. (See figure 4.) In 1956-57 record high yields were set in Louisiana, New Mexico, Arizona, and California. Arizona had the highest yield per acre in the country, 1,109 pounds.

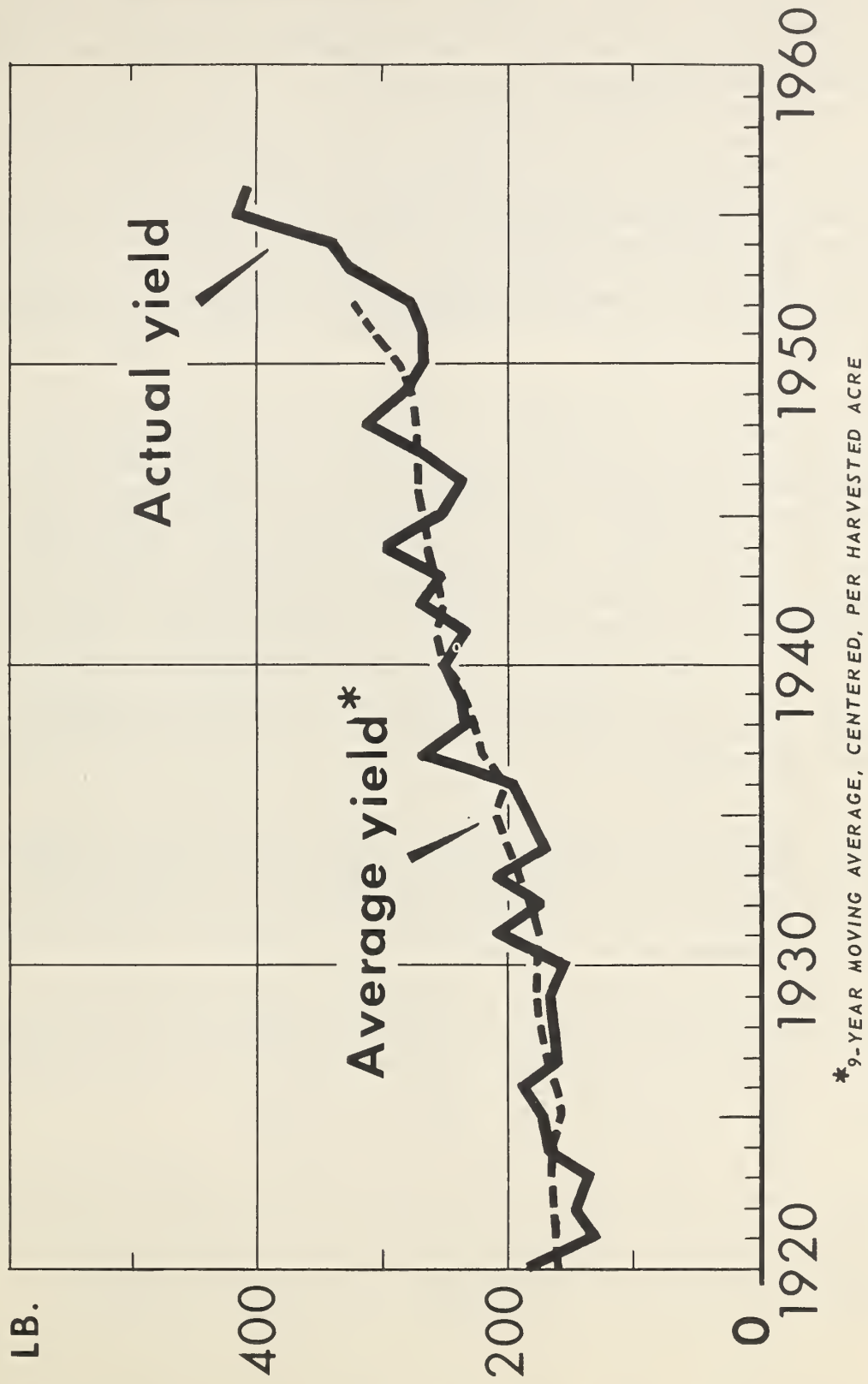
Acreage of upland cotton in cultivation on July 1 was a higher percentage of the acreage allotment for upland cotton than in 1954 and 1955. However, the acreage estimated for harvest in 1956 is a smaller percentage of the acreage in cultivation than it was in 1950, 1954, and 1955, the three most recent seasons in which marketing quotas and acreage allotments were in effect. It appears likely that the acreage reserve program caused some reduction in harvested acreage. Details for the 1957 acreage reserve program for cotton have not yet been announced.

On August 31 the national acreage allotment for 1957-crop upland cotton of about 17.4 million acres was announced, the same as the 1956 allotment. Later, State acreage allotments which totaled approximately 0.2 million acres more were announced. The increase was a result of the Agricultural Act of 1956 which provides: (1) that no State allotment for 1957 can be more than 1 percent below the 1956 allotment and (2) for a national acreage reserve of 100,000 acres for establishing minimum farm allotments. Such reserve is in addition to the 1957 national acreage allotment.

The national acreage allotment for the 1957 crop of extra-long-staple cotton was set at about 89,000 acres, compared with approximately 45,000 acres in 1956. The 1957 national marketing quota is about 77,000 bales or more than double the 1956 marketing quota.

The marketing quota and acreage allotment for extra-long-staple cotton were increased because this season the supply of extra-long-staple cotton is declining and the disappearance of American-Egyptian cotton is increasing sharply. This increase is being caused by much larger domestic mill consumption and exports. During August-October 1956 about 17.7 thousand bales of American-Egyptian cotton was consumed by domestic mills. This compares with 3.1 thousand in the same period a year earlier. American-Egyptian cotton comprised about 63 percent of all extra-long-staple cotton consumed by domestic mills in that period. A year earlier it was only 11 percent. Exports of American-Egyptian cotton from the United States during the current season are estimated at about 40,000 bales. This compares with about 20,000 in 1955-56. Prices for

# COTTON YIELDS PER ACRE



\*9-YEAR MOVING AVERAGE, CENTERED, PER HARVESTED ACRE

Figure 4

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American-Egyptian cotton this year are competitive with foreign grown extra-long-staple and the supply of extra-long-staple cotton abroad is somewhat restricted. The crisis in the Middle East could cause exports to increase even more than estimated above.

The supply of extra-long-staple cotton in the United States in 1956-57 is estimated at about 241,000 bales compared with 304,000 in 1955-56. The starting carryover is about 47,000 bales smaller than a year earlier. Imports are expected to be smaller than the import quota and below the 86,000 bales imported in 1955-56. The decline in imports will probably be caused by the smaller supply of extra-long-staple cotton in the foreign free world. Production of American-Egyptian cotton in 1956-57 is estimated to be about 4,500 bales larger than the 41,500 bales of the preceding season.

In looking at the longer term outlook for cotton, a look at the long term trends of the past will be helpful. The record high cotton stocks of the United States are perhaps the most dramatic evidence of the problems facing United States cotton producers. These stocks, about 14.5 million bales on August 1, 1956, have accumulated because production has outstripped disappearance. During the past four years United States production has averaged more than 10 percent above that of the 1920's, even though the acreage of cotton in cultivation has been only half as large. The consumption of cotton per capita in the United States is about the same as it was in the 1920's even though the consumption of all fibers (cotton, wool, manmade fibers, flax, and silk) has increased about 25 percent. Exports during the 1953-56 period were only about half as large as during the 1920's, even though foreign consumption of cotton increased more than 60 percent.

The world demand for textiles is steadily growing. But the increased demand is being met mainly by foreign cotton and by manmade fibers -- rather than by United States cotton. A relatively high price for United States cotton has tended to encourage the increase in the acreage of foreign cotton and the expansion of manmade fiber consumption at home and abroad.

United States cotton yields have been increasing rapidly in recent years and seem likely to continue to increase in the future. Expanded markets for cotton are urgently needed or United States cotton producers will be faced with even further reductions in acreage. The estimate of the 1956 harvested acreage is the lowest since 1882.

On May 18, 1956, the report of the Committee on Appropriations of the Senate for the Agricultural and Farm Credit Appropriation Bill, 1957, included a resolution requesting "a full detailed report and analyses of the various systems for supporting the price of cotton" from the Secretary of Agriculture. This report is now being prepared and presumably will be sent to the Committee about January 1, 1957.

The current support program for cotton includes several features designed to relieve the acute surplus position which prevailed on August 1, 1956. These features include the Soil Bank Program, the sale of CCC stocks of cotton for export at prices which compete effectively with prices for foreign cotton, and the authority to lower support prices from 90 to 75 percent of parity as cotton supplies increase.

If we assume that the current program is continued to the years centered around 1960 and that economic conditions remain prosperous, the support level in the years centered around 1960 probably will be close to 90 percent of parity. The domestic consumption of cotton probably will be around 9.5 million bales. The increase in domestic consumption over the 9 million bales estimated for the current season would be caused primarily by larger population.

The continued sale of CCC stocks of cotton for export at competitive world prices probably would mean exports of around 5 million bales per annum. Such sales probably would mean a slower rate of expansion for foreign cotton and manmade fiber production. The increasing consumption of cotton brought on by larger foreign population and prosperous economic conditions coupled with a slower rate of expansion in foreign cotton production would cause the relatively large U. S. cotton exports. Exports probably would be smaller than the 6.5 million bales estimated for the current season, because the foreign cotton stock build-up now taking place would not prevail indefinitely into the future.

Under these circumstances total disappearance of cotton in the U. S. probably would be around 14.5 million bales a year. With continued increases in cotton yields per acre, the cotton needed to satisfy this disappearance probably would be produced on about 17 million acres.

The long-term outlook for cotton will depend in large measure on the programs followed by the cotton industry and the Government. Doubtless the cotton industry could do much through research and promotion. The unresolved issues of Government policy centers on two questions: (1) the level of price supports, and (2) whether the entire crop is to be supported at the same level or whether the farmer is to be paid less for cotton grown for export markets than for cotton grown for domestic use. The report now being prepared includes analyses of these problems and should help the Congress to determine a policy that is in the long run interest of the cotton grower.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

OUTLOOK FOR DAIRY PRODUCTS Y

Statement presented by H. C. Kriesel at the  
34th Annual Agricultural Outlook Conference  
Washington, D. C., November 28, 1956

The situation and outlook for the American Dairy Industry may be considered from two distinctly different points of view. In terms of the usual manner--averages and aggregates--prospects for the year ahead can again be described as "more of the same," within rather narrow limits. But in terms of problems and prospects faced by individual producing, processing or distributing firms, the coming one to five years promises continued, significant changes.

First let us consider the averages and aggregates. A moderate further increase in milk production is probable in the next year. As shown in this chart, production of milk in the United States changed little from 1941-52, after rising with population in earlier decades. In the past four years it has increased more percentagewise than in any like period--11 percent, or 12.3 billion pounds. An increase to 129-130 billion is in prospect for 1957 and similar increases in subsequent years, unless interrupted by widespread, serious drought. The increase in recent years has been wholly from an increase in rate per cow, which is mainly the result of what may be termed broadly as technological advances. For the past several years, contraction in number of milking herds has been about offset by enlargement of dairy farms. No letup in these trends is in immediate prospect.

Sales of milk by farmers have been increasing more rapidly than production, as less is being used in farm households and for making farm butter. Farm sales of milk in all forms will be a record 113 billion pounds in 1956, and a further increase of over 2 billion is likely in 1957. As a result of continued shift from sale of farm-separated cream to sale of whole milk, sales of the solids-not-fat component of milk have been increasing even more rapidly than sales of milk fat.

To some degree, the movement of people from farms to nonfarm status helps to expand the commercial market for milk. But this does not increase outlets as much as you might think since the per capita consumption of fluid milk for nonfarm people averages less than for people on farms where milk is produced.

Prices to farmers for milk have shown a smaller net decline than some alternative products and currently are a little above average in relationship to prices of hogs and dairy rations. For the next year relatively large feed supplies and comparatively favorable price relationships seem assured. No significant change in prices of competing products is likely in the first few years after 1957. This together with the technological advances referred to earlier assures continued large milk production.

Prices to farmers for milk and butterfat made substantial downward adjustments in 1953 and 1954 and have since increased slightly. With increasing sales, cash receipts from dairy products rose to second highest of record in 1956--a little over 4.5 billion dollars. A new record high is probable in 1957. Net income from the dairy enterprise also has shown some improvement in the last two years.

With rising consumer incomes, consumer demand for dairy products will be at least as strong in 1957 as in 1956. However, retail prices of several dairy products, including fluid milk, may average higher in 1957 than in 1956 as a whole.

A downtrend in consumption of milk per person (measured on fat-solids basis) started in the mid-1940's. It was reversed slightly in 1954 and consumption continued upward in 1955 and 1956, including quantities distributed from CCC stocks or paid for in part with Government funds. Consumption from commercial and Government sources will be around 708 pounds per person in 1956 compared with 700 pounds in 1955, 731 pounds in 1950, and the 1935-39 average of 791. The trend in consumption of milk solids-not-fat, on the other hand, has been upward with minor deviations.

The increase in population in the next year, at no change in per capita use rates, would expand the civilian market by around 2 billion pounds, approximately the prospective increase in total milk output. Hence, in the next 12 months, the quantity sold to CCC probably will about equal the 5 billion pounds purchased in each of the past two years, but about half that of 1953-54.

Under the broader authority for disposing of CCC stocks of dairy products provided by the Agricultural Act of 1954, the rate of disposition has exceeded purchases in the past two years. In mid-November, stocks were 0 for butter, 12 million for nonfat dry milk, and 196 million for cheese. In 1954 peak stocks of the three items consisted of 467 million pounds of butter, 600 million pounds of dry milk, and 436 million pounds of cheese. Surplus disposition of butter and cheese has been about equally divided between domestic and foreign outlets, though in the spring of 1956 donations of butter for foreign use were terminated. Disposition of nonfat dry milk has been about two-thirds in foreign outlets and one-third domestic, including some for animal feed in both channels.

Currently, milk production is seasonally low and purchases of butter are practically nil, but purchases of both cheese and nonfat dry milk continue above a year earlier.

With supplies of milk pressing on available outlets for the foreseeable future, it is not likely that there will be any general upward trend in dairy prices. While the stock phase of the "dairy problem" has been largely eased, the surplus of production over current commercial use at present prices promises to be with us a while longer.

An important reason for expecting continued increases in milk production is improved efficiency in performing given operations in the milk production process. To maximize the benefits of these technological advances, farmers in many instances are compelled to expand their scale of operations. For other reasons also, we are observing adjustments in the direction of fewer but larger economic units in all lines of production and distribution. This includes production of almost everything from chickens to automobiles and houses. In the dairy industry we are observing mergers of processing and distributing firms and enlargement of milking herds. But as noted earlier, with the drop in number of herds, we are about maintaining the total number of milk cows. For the most part, the inducement for these developments is economy of scale, though for the nonfarm units we must recognize that there also are gains taxwise in some merger situations. In the next one to five years, narrowing margins may bring continued pressures to obtain greater economies of scale.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

THE OUTLOOK FOR EGGS AND POULTRY IN 1957

Statement presented by Edward Karpoff at the  
34th Annual Agricultural Outlook Conference,  
Washington, D. C., November 28, 1956

To keep track of the poultry industry is to follow a succession of monumental records in rates of growth and peak outputs. Production of eggs, broilers, and turkeys in 1957 is likely to exceed the record levels being established for these commodities in 1956. With the possible exception of broilers, prices for these commodities are likely to average a little lower in 1957 than in 1956.

These peak outputs are the economic expression of (a) the continuously emerging cost-cutting efficiencies being developed in the poultry industry, (b) the institutional factors that are firmly established in poultry meat production and which seem to be taking hold in egg production (here I mean financing), and (c) the drive on the part of poultrykeeping farmers to earn more income. The resulting effects upon the prices received by farmers for eggs, chickens including broilers, and turkeys has not been favorable to producers.

Average egg prices now are slightly lower than the 38.1 cents per dozen U. S. average farmers' price in mid-October. (Mid-October 1955 had been 42.9 cents.) In the few remaining weeks of this year, barring extraordinary temporary weather conditions or developments which would cause forecasters to invoke their escape clauses, egg prices are not likely to show any substantial rise. This would bring them into the new year, then, at levels substantially lower than the 46.6 cents per dozen of mid-January 1956.

This will likely lead into a springtime average price lower than that received by farmers in April-June 1956, which averaged 37.4 cents per dozen. Egg production from the present time to mid-1957 will be from a flock about as large as a year earlier and one that probably will be producing at a higher rate per bird. The number of potential layers at 383 million on November 1 was 1 percent below a year earlier.

You people know, of course, that organized trading in egg futures contracts is an active business in the Chicago Mercantile Exchange. While the frequent abrupt changes in prices of egg contracts there attest that future contract prices are not infallible guides to actual commodity prices of the future, the current level of those contracts is worth noting. The current price of those contracts reflects someone's anticipations of the cost of putting eggs into storage during the spring to meet delivery conditions in the following September and October. On November 23 those contracts, for September delivery, were 39.40 cents per dozen. In November 1955, the corresponding contract had ranged between 40.40 and 42.95 cents per dozen.

So you can see that the preponderant opinion of operators in the futures market as of now is toward an expectation of lower egg prices next spring than last spring.

Chickens raised next spring probably will be almost as many as the 472 million in 1956; egg supplies and also prices in the fall of 1957 are likely to be about at the 1956 level for the corresponding months. For 1957 as a whole, egg production on farms is likely to exceed the 168 million cases in sight for 1956, and egg prices are likely to average slightly below the 38 cent average price per dozen expected for 1956. The trend toward more specialization in egg production limits flexibility in the use of resources, and hence tends to reduce shifting to other farm enterprises, thus tending to keep up laying flock replacement even when egg prices are unsatisfactory to producers.

Although broiler output in 1957 promises to be higher than the 1.3 million broilers likely in 1956, prices in 1957 may rise slightly above those of the last few months. This is because red meat supplies will be down slightly, and also because the experience of recent years has shown that moderate annual increases in supply--short of the 22-24 percent of 1956-- can be absorbed in the expanding market. The principal basis for expecting continued record-large broiler production, despite relatively low prices, is the widespread practice of "financing" and "vertical integration." When farmers are "financed," their risk of out-of-pocket loss from the enterprise is reduced or eliminated. "Vertical integration" is a form of organization that provides coordinated control of a broiler operation from hatching to distribution of finished birds.

Turkey prices through late summer 1957 probably will remain sharply lower than a year earlier. In mid-October 1956, the U. S. average price received by farmers was 25.8 cents per pound compared with 31.2 cents a year earlier. After late summer of 1957, however, turkey prices may almost equal the corresponding monthly prices of 1956. (Prices declined in late 1956 when heavy marketings began from the record crop of over 76 million turkeys.)

Farmers holding turkey breeder hens of the heavy types reported intentions to keep 16 percent more such birds on January 1, 1957, than a year earlier. Even if tempered considerably, these intentions indicate a larger supply of hatching eggs and of poults in 1957 than in 1956. Turkey raising also is encouraged by financing which tends to sustain output above levels that would be supported by farmers' other credit resources. A larger proportion of the crop than in 1956 will be heavy-breed turkeys, particularly white-feathered heavy breeds.

Total value of farmers' sales of all poultry products combined may be a little higher than the \$3.2 billion estimated for 1956 because increases in volume and in broiler prices may more than offset the anticipated lower prices for eggs and turkeys. However, my expectations for net income are not up from 1956 because the achievement of the prospective higher gross in 1957 will be at the expense of increased inputs of feed and other cost items necessary to support the larger output.

Consumers will find that this outlook suggests a continued large availability of eggs, chicken, and turkey at prices within close range of prices in 1956. Because these commodities are perishable and have only small carryovers from one year to the next, because U. S. supplies do not enter heavily in peacetime world trade, and because there are no statistically important non-food uses for these commodities beyond the relatively unchanging requirements of eggs for hatching, the determination of per capita consumption is essentially a long division operation of dividing the figure for population into an adjusted supply figure. This latter figure directly reflects changes in production, since these livestock products, too valuable to waste, enter market channels upon being produced and are not left unmarketed as may occasionally be the case for low-priced vegetables.

Arithmetic done on this basis suggests that 1957 civilian per capita consumption of eggs will be about 363, essentially unchanged from the 365 of 1956 but considerably below the record of 397 in 1945. In 1945, restricted meat supplies caused demand for eggs to rise, and the opportunity for increased consumption was provided by the surplus egg supplies which in previous (and following) years had been diverted by the Government into the production of dried egg. In recent years civilian per capita consumption of processed egg products, including dried egg, has been about 24 eggs per year.

Poultry meat consumption in 1957 is likely to be about 30 pounds (ready-to-cook) with both chickens (principally broilers) and turkeys contributing to the rise from 29 pounds in 1956. Of the 1956 disappearance of 23.4 pounds of chicken, 69 percent was broilers.

In a longer-run context than merely a year ahead, the most concrete economic facts confronting the poultry industry are the accustomed consumption pattern of consumers as mentioned above, the likelihood under conditions of prosperity that they will want to increase their consumption of livestock commodities (although probably at a relatively slow rate), and the likelihood that population will grow. With such basic assumptions, the prospective requirements from the poultry industry of the future have been computed, and under a very elaborate set of assumptions, they are detailed in Poultry and Egg Situation, No. 186.

It is sufficient to summarize here that under the given assumptions the egg-laying flock won't have to expand as fast as population growth because continued increases in rate of lay per bird will likely add considerably to future egg output, but that, over time, certain conditions can be foreseen for poultry meat which will eventually create room for further expansion in broiler and turkey production. These conditions are that poultry meat continue to encroach upon consumption of red meat through a continued willingness of poultrymen to produce in response to a price which makes poultry at retail competitive with pork and beef.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

THE OUTLOOK FOR FATS, OILS AND OILSEEDS

Statement presented by George W. Kromer  
Agricultural Economics Division  
at the 34th Annual Agricultural Outlook Conference  
Washington, D. C., November 28, 1956

The fats and oils outlook this year focuses not only on the situation for 1957 but on the longer-term (5-year) outlook for food fats and oils, with emphasis on soybeans. Before looking ahead, however, let us briefly summarize the export situation of the past marketing year which certainly was the most outstanding feature.

In 1955-56, the United States exported about 5.0 billion pounds of fats, oils and the oil equivalent of oilseeds. This was 800 million pounds more than the previous high attained the year before and was reflected in a sharp cut in stocks of food fats and linseed oil. Exports were equal to about 35 percent of total production from domestic materials. Record quantities of edible vegetable oils, soybeans, flaxseed, and tallow and greases were shipped abroad.

The strength of export demand will again be a major price-influencing factor in the coming year on the level of domestic prices of fats and oils. Production of all fats and oils for the 1956-57 marketing year is forecast at 14.8 billion pounds, nearly the same as last year's record. However, beginning stocks are down somewhat.

The outlook for U. S. exports of edible fats and oils in 1956-57 is about as favorable as the situation in 1955-56. The annual increase in the population of the world outside the United States calls for 300 to 400 million pounds more of edible fats each year merely to hold per capita consumption constant. Economic activity abroad is continuing at a high level and stocks of fats, oils and oilseeds this fall were relatively low. The troubled situation in the Near East is a special factor this year which could lead to increased buying by importing countries to build up reserves against contingencies. These demand factors are largely offset, however, in their effect on the outlook for U. S. exports in 1956-57 by the likelihood of a moderate increase in foreign production of edible fats and oils.

Without taking into account the possible effect of foreign buying to build up stocks, exports of U. S. edible oils and fats other than butter but including the oil equivalent of soybeans, in 1956-57 are likely again to be about 2.7 billion pounds, or about the same as last year. This would include about 1.1 billion pounds of soybean and cottonseed oils, over 75 million bushels of soybeans (roughly 850 million pounds in terms of oil) and about 600 million pounds of lard. Exports of butter probably will decline sharply because CCC stocks have been exhausted.

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Now I would like to look at the individual commodities.

Supplies of soybeans for the 1956-57 marketing year are estimated at 461 million bushels, about 80 million bushels more than last year's record. Soybean output is estimated at a record 457 million bushels, almost one-fourth above last year. Crushings and exports, which last year totaled 350 million bushels, may reach a new high of 410 million bushels. Assuming 30 million bushels of soybeans are used on farms, this would leave a carry-over of about 20 million bushels.

With a continuing high level of economic activity in most parts of the world, growing population and improved standard of living in many foreign countries, and the impetus provided by sales for dollars and the P.L. 480 programs on edible oils, exports of soybeans and soybean products are expected to remain at relatively high levels during 1956-57. If the Suez Canal continues to be blocked for an extended period of time, the demand for U. S. soybeans and its products is likely to be even larger.

Prices to farmers for 1956 crop soybeans are being supported at a national average farm price of \$2.15 per bushel, 11 cents more than a year ago. The support is equal to 75 percent of the January 15, 1956 parity price compared with 70 percent of parity for the 1955 crop. Farm prices of new crop soybeans averaged \$2.07 per bushel in October when the 1956 marketing season opened. By mid-November market prices had risen about 20 cents. No more than a moderate further rise is expected unless export demand increases even more than anticipated. The size and availability of competing foreign crops, for which better estimates can be made in early 1957, will also have considerable influence on U. S. soybean prices later in the crop year.

The acreage of soybeans is expected to stay very large in 1957, and if corn producers vote in December to accept provisions for a Soil Bank base acreage rather than acreage allotments, the soybean acreage could increase 1.0 to 1.5 million acres. If the yield per acre is assumed to be the same as the 1952-56 average of 20.2 bushels, the crop on such a large acreage would be around 450 million bushels, or about the same as this year.

The 5-Year Outlook - In projecting the soybean situation forward to 1961 it is necessary to make certain assumptions about fats and oils. These assumptions are stated in the 1957 Outlook issue of the Fats and Oils Situation, FOS-181.

Under this set of assumptions, the estimated production of U. S. food fats and oils in five years would be about 12.5 billion pounds, 1.5 billion or about 15 percent more than currently estimated for 1956-57. Domestic disappearance of food fats and oils in 5 years would be about 8.7 billion pounds, 0.7 billion or 7 to 8 percent more than for 1956-57. If this situation develops, then foreign markets will become even more important as an outlet for U. S. fats and oils.

In the postwar period, per capita consumption of total fats and oils outside the U. S. has been increasing at the rate of about 2 pounds every 5 years and in 1956 totaled a little more than 19 pounds per person. The U. S. level is about 64 pounds per person. Thus, if a sufficient supply is available, a further increase in non-U. S. consumption seems probable. If this increase should amount to 1.0 pound, the world would need about 6 billion pounds more fats and oils by the end of the 5-year period. While the larger part of this should be supplied from increased foreign production, there would appear to be room for the additional one billion pounds estimated to become available from the United States.

Soybeans will play an increasingly important role in the U. S. fats and oils situation during the next 5 years. Increases in soybean acreage in the future, as in the past, will result from gradual reduction in acreage needed for wheat and cotton, as well as corn, due in part to steadily rising yields per acre. Soybeans are expected to furnish about 1 billion of the 1.5 billion pounds increase in domestic production of fats and oils. Soybean oil production in 1956, including the oil equivalent of exports, is estimated to represent about 40 percent of the total food fats produced in the U. S. As production trends upward, it may represent nearly half by 1961.

Cottonseed production in 1956 is computed at 5,431,000 tons, based on a normal lint-seed ratio. This would be about 10 percent less than last year and the smallest since 1950.

Prices received by farmers for cottonseed so far this crop year have been around \$50 per ton, which is above the support (\$44 per ton, purchase price, basis grade 100) and the 1955 season average price of \$44.60. Cottonseed prices for the 1956-57 season probably will average near their recent level. Prices of crude cottonseed oil, southeast mills, in mid-November were 13.8 cents per pound compared with 11.1 cents a year ago. Oil prices are likely to remain at least as high as their current level through most of the season. Meal prices now are slightly higher and linters are about the same as a year ago.

The U. S. Department of Agriculture announced a national marketing quota of 11 million bales of cotton for the 1957 crop and a national acreage allotment of 17.4 million acres, the same as the national allotment for 1956. However, under provisions for State allotments, the State totals are 17.6 million acres. If cotton production is the same as the marketing quota, and if the relationship between lint and cottonseed yields is the same as the average for the past 5 years, output of cottonseed would total about 4,500,000 tons. This would be nearly 18 percent below the 1956 level and the smallest since 1950. Cottonseed oil and meal production would drop about 300 million pounds and 400,000 tons, respectively, creating a strengthening effect on prices.

Supplies of flaxseed (including the flaxseed equivalent of linseed oil) in 1956-57 are estimated at about 63 million bushels. Output of flaxseed is the second largest of record but stocks at the beginning of the marketing year were the smallest since 1947.

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Carryover stocks on July 1 were 11 million bushels (including the flaxseed equivalent of linseed oil). Production is estimated at 52 million bushels, compared with about 32 million needed for oil, seed and feed. If commercial stocks are not reduced below the relatively small inventory on hand at the beginning of the year, about 20 million bushels would be available for export or delivery to CCC.

Flaxseed prices to farmers so far this year have averaged near the 1956 support price and unless world conditions change materially they will probably continue to do so. The deadline for loans and purchase agreements is January 31, 1957.

Total exportable supplies of flaxseed (including the seed equivalent of linseed oil) from the 1956 crops in foreign countries are likely to total about 55 million bushels. This is about 65 percent more than was available from the 1955 crops and is about equal to the average level of total world exports in recent years. Prices of flaxseed and linseed oil on world markets have declined materially since last summer and are now too low to permit the sale abroad of U. S. supplies at prices that would reflect the U. S. flaxseed support price to farmers. Unless world prices rise sufficiently to induce exports, virtually all of the U. S. crop above domestic requirements is likely to be placed under loan or purchase agreement and to be acquired by CCC after loans mature on April 30, 1957.

United States production of flaxseed in 1957-58 probably will continue well above domestic use, assuming average growing conditions. About 95 percent of the crop is grown in Minnesota and North and South Dakota where alternative land uses are limited. The wheat allotment for the 1957 crop is about the same as the year before. The Soil Bank program for 1957 crop wheat could increase flaxseed acreage by 250,000 acres in 1957 if wheat acreage is planted to flax.

Lard output in 1956-57 is expected to be about 8 percent less than last year. Prices will average somewhat higher than last year because of smaller supplies. Since the difference between prices of lard and the vegetable oils may not be as wide as in the past year, there probably will be less incentive to use lard in shortening. Exports of lard in 1956-57 might not fully reach their very high level of 1955-56.

Output of inedible tallow and greases in 1956-57 will be down from the record 3.1 billion pounds last year, reflecting the drop in hog slaughter. As little change in domestic disappearance is expected, prices in 1956-57 to a large extent will again depend upon export demand, which is expected to be strong.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

THE OUTLOOK FOR FEED IN 1957

Statement presented by Malcolm Clough, at the  
34th Annual Agricultural Outlook Conference,  
Washington, D.C., November 27, 1956

The outlook for feed supplies in the 1956-57 feeding season in many ways continues the pattern of the past few years. Again total feed concentrate supplies have reached a new record. Again feed grain production is larger than prospective consumption and once more we are looking for a further increase in carryover stocks of feed grains during the coming year.

The recent uptrend in supplies has brought the 1956-57 supply of feed concentrates to a new high approaching the 200 million ton mark. This big supply appears adequate to meet our total domestic and export requirements and boost carryover stocks by another 10 percent at the close of the 1956-57 season.

In each of the past 4 years, feed grain production has been consistently above our domestic and export requirements as the growing seasons have been generally favorable and acreage has increased from the 1952 level. Local to fairly extensive droughts have occurred in each of these years, but they have not been such as to reduce overall feed grain yields. The resulting increase in stocks of feed grain under Government price support programs have accounted for much of the recent increase in feed grain concentrate supplies. Excluding these big stocks held under the price support program, the 1956-57 supply is a little smaller than the comparable "free" supply last year.

Hay supplies for 1956-57 also are near record and are generally ample for the number of forage-consuming livestock to be fed in most areas of the country. There is, however, an extensive area in the central part of the country where supplies of both forage and feed grain crops are much below average and pastures and ranges have furnished much less than normal feed for livestock this summer and fall. This area extending from the Western Corn Belt into Colorado and South to Texas and New Mexico includes the bulk of the more than 500 counties which are under the Emergency Feed Grain and Hay Programs.

Total acreage planted to feed grains increased from 1952 to 1955 as farmers increased acreages of oats, barley and sorghum grains, largely on land taken out of wheat and cotton under the Acreage Allotments and Marketing Quotas. Acreages of each of the four feed grains were reduced in 1956 with an overall drop of about 5 percent in the acreage planted and 6 percent in acreage harvested. But with higher yield per acre, production declined only 3 percent.

Corn acreage has been declining for a number of years and in 1956 it fell below 80 million acres for the first time in more than sixty years. But corn yields this year set a new record of 44 bushels per acre and production on this reduced acreage was second only to the 1948 record. This big corn crop and record October 1 carryover give a bumper corn supply of over 4.5 billion bushels, nearly a fifth larger than the 1949-53 average. The 1956 crop probably will exceed our total 1956-57 requirements by around 250 million bushels which would mean a further increase in the carryover into 1957-58.

Supplies of each of the other feed grains are smaller than in 1955-56 reflecting smaller acreages of each of the three grains and below average yields of oats and sorghum grains. The 1956-57 oats supply is 16 percent smaller than last year. The barley supply is down 8 percent and sorghum grain 21 percent. The total utilization of these grains in 1956-57 is expected to be smaller than in 1955-56 and smaller carryover stocks of oats and sorghum grain are in prospect.

Feed grain prices advanced sharply from late in 1955 to the summer of 1956 following the downward trend of the 4 preceding years. Corn prices have declined more than seasonally this fall with the harvesting of the big 1956 crop, but they have remained moderately higher than in the fall of 1955. Average prices received by farmers for other feed grains also are higher this fall than last and feed grain prices are expected to continue higher this winter and into the spring of 1957 than a year earlier. Some factors giving strength to feed grain prices this fall are the smaller production, higher supports for oats, barley and sorghum grains, and the extension of the corn price supports to non-complying farmers. The seasonal advance in corn prices from this November to next summer, however, probably will be less than the 33 percent rise in 1955-56. With a favorable growing season in 1957, feed prices generally may average little lower next summer than in the same period of 1956.

Average prices received by farmers for corn this fall are again substantially below the national average support price of \$1.50 per bushel to cooperating producers in the commercial area. They also average a little below the support of \$1.25 which is available for the first time to non-cooperators. With substantially larger production in the commercial area this year, more corn is expected to go under price support than the 421 million bushels placed under loan and purchase agreement in 1955-56. Prices of oats and sorghum grains are substantially higher this fall than last, and barley is moderately higher. Prices of these grains are near or above the 1956 supports and producers probably will place smaller quantities under the price support program.

The total supply of high-protein feeds is expected to be around 5 to 10 percent larger than in 1955-56 as a result of a prospective record crush of soybeans. The increase in soybean meal production is expected to much more than offset a moderate reduction in cottonseed meal. Prices of the high-protein feeds have averaged a little lower so far this fall than last with soybean meal prices comparatively low in relation to prices of most other feeds. Because of the larger high-protein feed supply, prices of high-protein feeds may remain lower in 1956-57 than last year.

The type of corn program we will have in 1957 and later years and the level of 1957 price supports will depend on the outcome of a referendum of corn producers in the commercial area to be conducted this December 11. In this referendum, producers will choose between the Soil Bank base acreage and the corn acreage allotments. If two-thirds of the producers vote in favor of the Soil Bank base the corn base acreage will be 51 million acres and the national average price support for 1957 will be \$1.31 per bushel. If more than one-third of the producers favor acreage allotments, then corn allotments for 1957 will total 37.3 million acres and the national average support price will be \$1.36 per bushel.

Over the next few years the big reserve stocks of feed grains on hand and the Soil Bank Program appear to be the dominant factors in the feed situation. With the big carryover stocks in prospect for next year, ample feed supplies are likely again in 1957-58 even though some further reduction in feed grain acreage seems probable under the Soil Bank. Over the next few years, if the general objectives of the Soil Bank Program are realized, reduced acreage and output of feed crops would result in a gradual reduction of these big carryover stocks.

While there is much uncertainty as to trends and developments over the longer run, it does seem fairly certain that at least some of the trends of the past two or three decades will continue. A continuation of the upward trend in population seems almost certain, which with a sustained high level of per capita income would mean increasing demand for feed. Our capacity for feed production also is likely to continue to expand. One of the most pronounced trends in the feed picture during the past two or three decades has been the marked upward trend in yield per acre. The average yield of the four feed grains has increased 40 percent since the late twenties. Farmers are now producing about a fourth more feed grains on less acres than 25 years ago. A greater increase in production would be needed to meet our increased requirements for livestock food products if it had not been for the steady decline in the number of horses and mules. Horses and mules consumed about a fifth of our total feed grain production in the early twenties, but now they are consuming less than 4 percent. Since the number of horses and mules on farms is nearing a minimum, this trend in the diversion of feeds from farm power to livestock food products has practically run its course.

Finally, the future may bring forth more apparent gains in the total output of livestock food products per ton of feed. Recent improvement in feeds and new techniques in feeding have brought a marked increase in the output of some types of livestock per unit of feed. Broilers, for example, are currently being produced with a fourth less feed than 15 years ago. But gains in feed conversion efficiency apparently have not yet been such as to give a substantial overall saving of grain per unit of livestock production. Continuing progress in this field and broader application of techniques already developed may bring forth more pronounced gains in the output of livestock products per unit of feed in the years to come. This would mean that future increases in livestock production may be made without requiring comparable increases in the tonnage of feed grain produced.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

THE OUTLOOK FOR FOOD IN 1957

Statement presented by Harry Sherr  
at the 34th Annual Agricultural Outlook  
Conference, Washington, D. C., November 27, 1956

The food situation in prospect for 1957 can be summarized in 4 sentences. Food supplies for U. S. civilians will be large, though probably a little below the record total reached in 1956 mainly because of the expected small reduction for meats. Civilian demand for food will likely continue strong next year. Per capita food consumption probably will average just a shade under the present year's high rate, but around 13 percent above the prewar (1935-39) average. Retail food prices in the first half of 1957 are expected to average a little higher than a year earlier, but may be about the same in the second half. Although these statements appear simple, lots of factors enter into the picture they describe. I will touch on them briefly.

First, let's look at the outlook for the demand for food next year. With economic activity, employment and wage rates likely to be at a record level, consumers' income is expected to reach a peak, averaging higher than estimated for 1956. Some increase in consumers' expenditure for food is also in prospect. Part of this advance will be due to expected slightly higher retail food prices in the first half of the year and part to increased purchases of more expensive foods and services connected with foods. Food expenditures probably will account for around a fourth of per capita consumers' income, about the same as in recent years.

A relatively small increase in food prices is expected because of the continued strong demand coupled with slightly smaller supplies for civilians, particularly of meats, and the likelihood that marketing margins will average a little higher than in 1956. The assumption is that the international situation will not worsen.

Now, a brief review of the food supply, consumption and retail price prospects. The total quantity of food available for distribution in the domestic market next year probably won't differ substantially from the 1956 record high. Stocks at the beginning of 1957 will be heavy and, with average weather, production of food crops during the year will likely be large. The total number of beef and dairy cattle on farms and ranges this January 1 is expected to be about the same as a year earlier, but that of hogs will be down some because of reduced farrowings in 1956.

A little less meat will likely be available next year than this, with declines occurring for both beef and pork. The reduction for beef is in prospect because average slaughter weight probably will be down some. The number marketed is expected to be about the same as in 1956. Supplies of top grades of beef -- which come from fed cattle and represent an important part of the total sold to consumers as red meat

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cuts--will be large in early 1957 but below the very heavy volume early this year. More choice grade beef will become available in 1957 as the year progresses. Though retail beef prices will likely average higher than in 1956, they are expected to be lower than this fall.

Pork supplies will continue below a year earlier until sometime next fall. Because prices received for hogs through early summer 1956 were the lowest in a decade or more, farmers reduced breeding herds and the pig crops were 8 percent smaller than in 1955. The higher prices for hogs this fall and winter may encourage farmers to raise a larger pig crop in late spring. The effects of this won't be reflected in the pork supply until sometime next fall. Retail prices of this class of meat probably will remain above the low level of a year earlier until about fall 1957 and then decline to the level now prevailing.

Although meat consumption per person next year may be a little below the 1955 and 1956 rates, it will likely be above that in other years since 1909. The decline from 1956 will likely be divided almost equally between beef and pork. Some increase in the consumption rate of canned meats is probable, continuing the long-term upward trend.

Large supplies of dairy products are in prospect for 1957. Total stocks are down because of reduced Government holdings, but commercial stocks are up and milk production on farms may top the record of 127 billion pounds estimated for 1956. Increased output per cow is expected to bring about the advance in milk production.

Per capita consumption of milk and dairy products will likely be about the same as in 1956. The civilian population will be larger, so total purchases may be up enough to absorb most of the expected increase in production. Retail prices of dairy products next year probably will average a little above those of this year.

Prospects are for more poultry meat and eggs to be available for distribution next year than in 1956. The increase for chicken meat is expected because production of commercial broilers probably will be at a higher level. The probable increase for turkey meat is indicated by reports that farmers intend to keep more breeder hens than in 1956. Egg production probably will be above the current year's high level because of increased lay per bird. The number of potential layers on farms at the beginning of 1957 is likely to be no larger than a year earlier. Retail prices of chicken meat and eggs may average a little lower than in 1956 because of the heavy supplies, but those of turkey meat will be much lower through late summer. Civilian consumption of poultry meat will likely be a little above the 1956 per capita rate, and that of eggs about the same.

Edible fats and oils will continue in heavy supply next year. The reduction in prospect for lard will likely be absorbed in part by smaller exports of this commodity; the total supply of the other food fats and oils will be up some. Retail prices of these food commodities may be relatively stable next year, averaging a little higher than in 1956. Civilian consumption of food fats and oils is expected to be close to the 1956 rate.

Food grains will continue in abundant supply next year. Production in 1957 will be down because of smaller acreages planted to these commodities by the many farmers participating in the Soil Bank program.

Despite this, with average weather output of wheat and rice will still exceed anticipated domestic needs. Per capita consumption of cereal food products next year probably will be no larger than in 1956, but retail prices will be up a little. Slightly higher marketing charges will likely account for most of the increase.

For fruits and vegetables we can only look ahead no further than next summer, and not even that far for the fresh market supplies. In general, total supplies of the commercially processed commodities are large. About as much processed fruit will be available as a year earlier, but supplies of processed vegetables will be much larger. We will have less fresh apples and grapes in early 1957 because of the smaller crops in 1956, but more pears. Supplies of fresh citrus this winter and spring will likely be up some from a year earlier. For winter season fresh vegetables, information on plantings now is available for only a few of the crops to be harvested at that time. Reports from producing areas point to smaller acreages. Our supplies of fresh vegetables this winter will be supplemented by imports. Expectations are that receipts from abroad will be above the low level of last winter.

Military purchases of food in 1957 and exports are expected to be about as large as this year. As in recent years exports will be mainly of those foods which are in excess supply, such as wheat, rice and dry peas.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL MARKETING SERVICE

THE OUTLOOK FOR FRUITS AND TREE NUTS IN 1957

Statement by Ben H. Pubols,  
Agricultural Economic Statistician,  
at the 34th Annual Agricultural Outlook Conference,  
Washington, D. C., November 28, 1956

Consumption and Demand Prospects

Total supplies of fruits and tree nuts are expected to be at least as large this fall and winter as a year earlier. Supplies of fresh fruits are expected to be somewhat smaller, and those of processed fruits larger. Total supplies of tree nuts also may be up this fall and winter. Consumption per capita of all fresh and processed fruits on a fresh equivalent basis probably will not be greatly different this fall and the first half of 1957 from that of this period in 1955-56.

With consumer income expected to continue high, consumer demand for fruit in 1957 is likely to be at least as strong as in 1956. Export demand is likely to continue into 1957 at the increased 1956 rate and may increase further in 1957.

Export Outlook

Increased exports of many items of fresh and processed fruits seem likely in the 1956-57 season, especially to western European countries. This includes fresh grapes, dried fruits, tree nuts, canned fruits, and some citrus items to western Germany, Denmark, and Norway, which recently have taken steps to liberalize imports. It also includes fresh apples; pears, grapes, dried fruits, and canned deciduous fruits and grapefruit segments to the United Kingdom, which has made provision for such imports. Increased exports of U. S. winter oranges to Europe are expected in 1956-57 as a result of a prospective short crop in Spain following the freeze damage to trees in February 1956. However, exports of U. S. summer oranges may encounter greater competition from oranges from Southern Hemisphere countries as a result of increased plantings in recent years.

Deciduous Fruits

Production of deciduous fruits in 1956 was nearly as large as in 1955 and also nearly as large as the 1945-54 average. The 1956 crops of apricots, sweet-cherries and sour cherries were much smaller than the respective 1955 crops, while the crops of apples, grapes, and cranberries were moderately smaller. Production of prunes in the Pacific Northwest was up slightly, that of pears up moderately, and that of California dried prunes, peaches, plums, and strawberries up considerably.

Because of unfavorable weather, production of apples in 1956 was reduced considerably in Washington, New York, and New England. This was partly offset by increases in Michigan and Virginia. Total supplies for marketing after the first of the year are expected to be somewhat smaller than in 1955-56. Supplies of grapes also are expected to be lighter. But those of Pacific Coast winter pears are indicated to be larger.

Output of dried fruits in 1956 is about 5 percent larger than in 1955, mainly the result of a heavy increase in dried prunes. Although production of raisins is somewhat smaller than in 1955, supplies are larger than usual domestic utilization. Supplies of raisins for export are smaller than a year ago, while those of prunes are larger. To broaden the market for domestic dates, the U. S. Department of Agriculture has in operation a diversion program under which about 8 million pounds from the 1956 crop are to be diverted from the usual use in whole or pitted form to manufacture into new date products.

The 1956-57 pack of canned fruits, mostly deciduous, is expected to be about as large as the record 1955-56 pack. Heavy reductions in the packs of apricots and cherries, and lighter reductions in other items, will be about offset by a large increase in peaches and smaller increases in other fruits. With a record pack of frozen strawberries and a heavy decrease in sour cherries, total production of frozen deciduous fruits and berries in 1956 probably will be about the same as that in 1955.

With average weather, total production of deciduous fruits in 1957 probably will not be greatly different from the 1956 crop. In 1957, larger crops of apples, apricots, and cherries may be expected. At the same time, smaller crops of peaches, pears, plums, and prunes seem likely. Total production of grapes may be much the same as in 1956. Prospective acreage of strawberries for harvest in 1957 is a little larger than the acreage harvested in 1956.

### Citrus Fruit

Production of oranges and grapefruit in 1957-58 probably will be larger than prospective 1956-57 production. This would be in continuation of the upward trend for these two fruits, especially oranges. The increases would be in Florida and Texas.

The 1956-57 crop of early and midseason oranges is expected to be about 4 percent larger than the 1955-56 crop. Most of the increase is in Florida, where heavy postwar plantings are now bearing oranges. Early-season indications point to some increase in Florida Valencia oranges, which will start to market in late winter. Prospects for California Valencias are less favorable than a year ago.

Output of frozen orange concentrate in Florida set a new record in 1955-56 and a small increase seems likely in 1956-57. The pack of canned orange juice may not be greatly different from that in 1955-56. Some increase in exports of fresh and processed oranges is expected this season.

Production of grapefruit in 1956-57 is currently indicated to be about 3 percent smaller than the 1955-56 crop. Nearly all of the reduction is in Florida. With the Florida crop down about 9 percent from 1955-56, the pack of canned grapefruit juice probably will be a little smaller than in 1955-56.

Because of substantial improvements in export prospects for citrus fruits, the U. S. Department of Agriculture will not make export payments on the 1956-57 crops of oranges and grapefruit.

Prospective production of lemons in 1956-57 is about 8 percent larger than the 1955-56 crop. Output of frozen concentrate for lemonade in 1955-56 was about one-fourth larger than in the preceding season.

### Tree Nuts

The 1956 crop of the four major tree nuts--almonds, filberts, pecans, and walnuts--is about 5 percent larger than the 1955 crop. Production of almonds is record large, 33 percent above that of 1955, and that of pecans is up 9 percent. In contrast, the walnut crop is down 7 percent and that of filberts is down 61 percent. Production of these two crops in Oregon was cut severely by winter freezes. Domestic-type tree nuts will be supplemented as usual by heavy imports, especially of foreign-type nuts such as Brazils and cashews. In the past two seasons, total imports were about equal to domestic production.

Total production of the four major tree nuts in 1957 probably will be close to that of 1956 if average weather prevails.

### Long Range Outlook

Over the next two decades or longer, total production of deciduous fruits probably will trend slightly upward, though in the next few years output may not change much from the level of the recent past. Total production of citrus is expected to trend upward for a number of years, with most of the increase in oranges. A rising output trend also is probable for tree nuts. During the past decade, utilization of fruit for processing has trended upward while fresh use has declined. These trends probably will continue over the next few years. With increasing population, total demand for fruit will increase.

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: This represents mostly the highlights of the 1957 Outlook issue of :  
: "The Fruit Situation" for October 1956, :  
: a processed publication issued by the :  
: Agricultural Marketing Service :  
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## THE OUTLOOK FOR MEAT ANIMALS IN 1957

Statement presented by Harold F. Breimyer at the 34th  
Annual Agricultural Outlook Conference  
Washington, D. C., November 27, 1956

A year ago we forecast at this session that in 1956 the meat-animal-producing industry would stop to catch its breath. It did; but it had more wind left than we realized, and did not halt until the closing months of this year. Livestock slaughter has recently dropped back to its level of a year ago. The let-up will continue in 1957. It will be most clearly noticeable in hogs. The lull is temporary, a halt before a new uptrend in production begins.

The past expansion has been truly spectacular. Since 1951, meat output has climbed from 22 to 28 billion pounds, a 28 percent increase. Consumers have been treated in 1956 to their largest per capita ration of red meat since records began in 1899. Their average consumption will be about  $163\frac{1}{2}$  pounds. This will top for the first time the previous high in 1908.

As output increased, prices declined. Retail prices for Choice beef, at a high of 89 cents in November 1951, dropped to 61 cents in March 1956. Prices for pork were reduced from 63 cents in September 1953 to  $41\frac{1}{2}$  cents in January 1956. Prices of live animals to producers fell to very disappointing levels in late 1955 and early 1956, reaching their lowest since wartime price controls ended. Both prices of meat to consumers and of live animals to producers -- and especially the latter -- have shown an ever increasing responsiveness to variation in supply. Returns to producers have been overdepressed in relation to the high incomes being enjoyed by our consuming population.

As supplies of livestock and meat leveled out during 1956 prices stiffened. Retail prices of Choice beef in September were back to  $72\frac{1}{2}$  cents, and of pork to 50 cents. Prices of beef cattle and hogs climbed above last year in August. Lambs had done so as early as May. The higher level of prices is expected to continue in 1957. There will of course be fluctuations; prices of Choice steers this winter, for instance, will likely be priced lower than at their high in early fall. Nor will price changes be great. Nevertheless, the price picture is somewhat brighter than it was at this time last year.

Consumers will be asked to pay just a little more for their meat in 1957 than they did in 1956, but retail prices will certainly remain well below a few years ago.

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Biggest and most certain of the changes in prospect for 1957 are those in hogs. Last spring 8 percent fewer pigs were saved than a year before. Because the reduction was confined to the second half of the farrowing season, it did not influence the hog slaughter rate until October. It will influence it henceforth, most decidedly. Slaughter for several months will be substantially below a year earlier. Moreover, it will continue moderately lower through at least the spring and summer, reflecting a reduced 1956 fall pig crop. In June producers said they would cut fall farrowings 7 percent. However, by September some had relented, as producers in 9 States then planned to cut their late fall (September-November) farrowings less than originally intended.

In addition, producers planned in September to hold farrowings in the first half of the coming spring season (December to February) 4 percent below a year earlier. Hence, despite improved prices for hogs this fall and a bumper corn crop (offset in part by unrestricted price support available at \$1.25), farrowings are unlikely to regain year-earlier numbers until far into the spring season. The total 1957 spring pig crop promises at most to be only a little above last spring and it is more likely to be a little smaller.

Inasmuch as prices of hogs in recent years have reacted so quickly to changing supplies, they may advance appreciably in response to reduced marketings in 1957. Further, since even the spring pig crop will scarcely regain its earlier levels, the outlook is relatively favorable through the fall and winter of 1957-58. Supporting these forecasts is a pork-supply estimate of 63 pounds per consumer in 1957, 3 pounds less than consumption in 1955 and 1956 and, except for 1954, equal to the lowest-supply years since 1938.

This reduction in supply for consumers would appear harsher were it not for consumers' own indifference to the generous pork supply in recent years. Their expenditures for pork have slipped rapidly and in 1956 are the smallest since 1946 in dollars, and the smallest ever (except one wartime year) as a percent of consumers' income.

More salutary is the demand and production record for beef. Beef output in 1956 is twice that of 1940. Cattle numbers and slaughter are at an all-time high. The expansion has virtually stopped, however. The approximately 40.4 million cattle and calves being slaughtered in 1956 are 1 million above 1955. As the calf crop was indicated in July to be up 271,000, the increase in slaughter may be enough to arrest the previous slow uptrend in inventory numbers. Any change in the inventory in January 1957 will be small, and it could be in either direction.

The nation's cow herd likewise is nearly stable. Fewer cows have been slaughtered, but fewer heifers were on hand as replacements. A slow shift continues from milk to beef cows.

The major change in the 1957 cattle inventory will be a welcome absence of an overload of heavy steers. In late 1955 an exceptionally large number of steers were carried to very heavy weight and high finish, and remained to burden the market for a number of months in 1956. This season cattle are being fed for marketing at younger age and lighter weight.

Instead of so many heavy steers, it is probable that as many or more calves and light-weight yearlings will be on farms next January. At least as many will be fed. Total cattle slaughter in 1957 will likely about equal 1956, with weather influencing actual changes. The most significant difference could be in lighter slaughter weights. This would have two effects: It would reduce the total tonnage of beef and would prevent discounts for overweight and overfinish such as featured the early 1956 market. Another possible difference in 1957 is a more even monthly distribution of fed beef, since the many calves being placed on feed may hold fall production above 1956.

In these years of enormous volume of feeding, flights of prices and fortunes in profits are definitely not in view for cattle feeders. Prices of fed cattle this winter will probably be seasonally lower than their early fall high. Yet they are expected to remain above their levels of the first half of 1956, returning higher profits to feeders than a year before. On the other hand, a 1957 summer price rise equal to that of 1956 is not expected.

Consumers may have a little less beef to eat than their  $83\frac{1}{2}$  pounds of 1956. But they will have very nearly as much fed beef; and the forecast total of 80 pounds would be higher than in any year except the last two. They surely won't go beef-hungry. They will have to pay higher prices than a year earlier through the first half of 1957, though perhaps not in the second half.

A long awaited upturn in production of sheep and lambs has not yet been realized. Since May, lamb prices to producers have averaged \$1.00 above a year before. Through September, 56 million dollars of incentive payments on 1955 crop wool had been paid to producers. Sheep production is increasing in the East, but shortage of labor on western ranches and drought in the Southwest have brought declines in some western areas, and total numbers have not yet started to rise. It is not uncommon for a response to price to be slow, and the results of higher returns in 1956 could very well appear in 1957. Certainly an increase in numbers can be expected at some time in the future. Yet the date it will commence still remains uncertain.

Lamb prices are always affected by prices of other meat animals, especially steers. For 1957, the chances appear good that prices will retain a higher level in the first half year. It is less probable that they will do so in the second half.

Meat stands so high in the esteem of consumers in the United States that it would be hard to be pessimistic regarding the longer outlook for the meat animal industry, so long as employment and incomes of consumers remain high. It seems probable that in the next 5 years livestock production will expand gradually; that prices will be reasonably satisfactory to producers; and that meat animals will contribute a rising proportion of cash receipts to farmers.

On the other hand, events of recent years suggest that whenever supplies exceed 160 pounds per person by much, it is hard to maintain acceptable prices to producers. The tendency for costs of marketing and distribution to increase tends to limit the potential markets. Moreover, consumers are allotting an ever smaller proportion of their incomes to meat. For these reasons, the future expansion in meat animal production will be much slower than in 1951-56.

The Soil Bank as a factor in the future is hard to appraise. In making the above outlook we assume that the Bank will (1) prevent excess production of meat animals such as that in late 1955, (2) achieve a reduction in carryover stocks of feed grains, (3) by these two actions, bring the capacity for feed and livestock production gradually into balance. Since present reserve supplies of feed grains are so large, we do not consider that the Bank would prevent meat animal production from increasing gradually.

We have not taken into account the effect of the Conservation Reserve in supporting production of roughage-consuming livestock, since it would be a longer-run influence largely outside the scope of our 5-year study.

Hog production will bounce back from its dips in 1956 and will likely expand about as fast as the population grows. Progress in improving the acceptability of pork to consumers will be a major consideration to the longer outlook. For cattle, it still is uncertain whether numbers will merely remain steady for a few years or will decrease by a few million. A small decrease seems the more probable. In any event, production will turn upward after a time, and the 100 million head so often talked about will prove a reality. Confidence in an eventual expansion in sheep remains undisputed, but, as noted above, the timing also remains unpredictable.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

THE OUTLOOK FOR PEANUTS IN 1956-57

Statement presented by George W. Kromer  
Agricultural Economics Division  
at the 34th Annual Agricultural Outlook Conference  
Washington, D. C., November 27, 1956

The supply of peanuts in 1956-57 will be about 5 percent above last year and substantially larger than required for food and farm uses. Production is estimated at 1,489 million pounds, 5 percent less than the previous year, but stocks of peanuts on September 1, 1956, the beginning of the current marketing year, were the largest of record at 362 million pounds. Output is indicated to be 31 percent greater than last year in the Virginia-Carolina area and 4 percent in the Southeast, but down about 62 percent in the drough-plagued Southwest. The Virginia-Carolina crop, however, may be reduced by the wet weather which delayed digging part of the crop for several weeks and damaged peanuts which had been dug and stacked.

The acreage to be picked and threshed is estimated at 1,509,000, about 11 percent below 1955. Estimated yield per acre for the United States is 986 pounds, up 61 pounds or almost 7 percent from 1955. In the Virginia-Carolina area, yield per acre is estimated at 1,589 pounds, 26 percent above last year. In the Southeast, estimated yield per acre is 1,042 pounds, 10 percent above the previous year. In the Southwestern area, yields per acre are forecast at 369 pounds, about 48 percent less than in 1955. In this area, the prolonged drouth has not only reduced yields but has resulted in substantial abandonment.

The national average support price for 1956 crop peanuts is 11.4 cents per pound. The support level is equal to 86 percent of transitional parity as of the beginning of the crop year. Peanuts were supported at 90 percent of parity from 1941 through 1955, except for 1951 when support was at 88 percent. The average support price by types, per pound of 1956 crop quota peanuts is: Virginia type, 12.1 cents; Runner type, 10.6 cents; Southeastern Spanish type, 11.5 cents; and Southwestern Spanish type, 11.2 cents. Loans on 1956 crop peanuts will be available to individual producers and to grower associations from the time of harvest through January 31, 1957, and will mature May 31, 1957, or earlier on demand by CCC.

Season average prices to farmers for Southeast Spanish and Runners have been near the CCC loan value. The drouth-stricken Southwest Spanish crop moved at prices substantially above support. Virginia-Carolina peanuts have just started to move in volume and prices are near support. The loan value is the support price less about half a cent for charges for storage, inspection, grading and expenses of cooperatively marketing the peanuts. As of the end of October, farmers had placed about 235 million pounds of 1956 crop peanuts under loan--all in the Southeast. Last year CCC acquired about 270 million pounds or 17 percent of the 1955 peanut crop under the price support program. Practically all of this was Spanish and Runner type peanuts. CCC has sold for crushing or export approximately 215 million pounds. The Corporation is likely to acquire part of the 1956 crop because of potential supply in excess of domestic requirements.

Civilian consumption of peanuts, farmers' stock basis, in recent years has remained relatively stable at about 6.5 pounds per person. In 1954-55, per capita consumption fell about half a pound because of reduced supplies and higher prices. In 1955-56, the shortage and relatively high prices of the Virginia type peanut held consumption to about 6.0 pounds per person. However, because of the unusually high outturn of shelled peanuts from farmer stock in 1955-56, this obscures the fact that per capita consumption of shelled peanuts was higher than in 1954-55. With large supplies available and prices lower, consumption in 1956-57 is likely to return to about 6.5 pounds per person. Of the normal consumption of 6.5 pounds, about 5.5 pounds are usually consumed in the form of peanut butter, salted peanuts and in candy. The other pound is almost equally divided between roasted peanuts and those consumed as food on farms. With food use about 1,100 million pounds and normal commercial crush of oilstock peanuts, and farm use about the same as in recent years, the 1956 crop peanuts will exceed requirements for the year by about 180-200 million pounds. As most of the excess peanuts will be acquired by CCC under the support program, the quantity crushed and exported will to a large extent depend on Government policy.

#### PROSPECTS FOR 1957-58

Although the 1957-58 price support program has not been announced as yet, production probably will be large enough to keep prices around support. Present legislation provides that the parity level for 1957 crop peanuts will be equal to 95 percent of the old parity, the same as in 1956,

Another factor in determining the support level for the 1957 crop is the relationship between the estimated supply and the "normal" supply for that marketing year. For example, if the estimated supply (carryover stocks, production and imports) is expected to be not more than 108 percent of the normal supply, support would be at 90 percent of parity. If the supply percentage is more than 130 then support would be at no less than the minimum of 75 percent. Normal supply is defined by legislation as the estimated domestic consumption and expected exports plus a carryover equal to 15 percent of the two.

A marketing quota of 725,305 tons (1,450 million pounds) of 1957 crop peanuts and a national allotment of 1,610,000 acres for picking and threshing was announced on November 9, 1956. This is the minimum marketing quota and acreage allotment permitted under existing legislation. Last year the quota was 750,000 tons (1,500 million pounds) and the allotment was 1,650,000 acres, which included the type increase for Virginia and Valencia. The yield used in making 1957 determinations was slightly higher than that used in making 1956 determinations.

Peanut producers will vote on December 11, 1956, in a referendum on marketing quotas for the 1957, 1958, and 1959 crops. Quotas have been in effect since 1949. A two-thirds favorable vote in a referendum is required in order to continue quotas in effect. Existing legislation provides that if quotas are in effect, the price of peanuts will be supported at some level between 75 and 90 percent of parity. If quotas are rejected, support will be at 50 percent of parity to cooperators.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

THE OUTLOOK FOR RICE IN 1957

Statement presented by Robert E. Post at the  
34th Annual Agricultural Outlook Conference,  
Washington, D. C., November 28, 1956

My remarks to this outlook session will follow along the lines developed in the Rice Situation, which is available this morning for release tomorrow morning. Copies of this have just been passed out. Instead of using slides, let us talk from the charts in the Situation report.

The Current Rice Situation and Background  
for the 1957 Outlook

Let us direct our attention to the chart on the cover. Here is shown the disposition of U. S. rice supplies. The last plottings show that in the 1956-57 marketing year that exports are very large compared with last year, or any other year for that matter. Prospects that the exports would be so large is a comparatively recent development. Six months ago this prospect was not in the picture and the outlook for rice was not at all bright.

Now it seems likely that the sharply increased exports during the 1956-57 marketing year will reduce the carryover from the record 34.6 million cwt. on hand August 1, 1956 (shown on the chart as year-end carryover for 1955-56) to about 17 million cwt. on August 1, 1957 (on the chart it is the year-end carryover for 1956-57). The increase in exports (mostly under P. L. 480 program for foreign currency) is made possible by the fact that exporting countries have largely disposed of the surpluses that accumulated during 1953-54 and 1954-55 by reducing prices.

Practically all of the rice acquired by the CCC from previous crops has now been committed for export and domestic use through a combination of Government programs. Moreover, probably all of the rice from the 1956 crop to be delivered under the price support program to CCC also will be readily committed. The quantity of rice actually loaded for export in 1956-57 will depend on the availability of ships. If shipping is not extremely limited, exports in the neighborhood of 38 million cwt. appear possible. This would be sufficient to cut the carryover in half by the end of the 1956-57 marketing year.

The total supply of rice in the United States for 1956-57, which is represented by the breaking through at the top of the chart, is estimated at 81.2 million cwt., which is a little larger than the previous 1955-56 record supply of 80.5 million cwt. The supply, for which this chart shows the disposition, includes the 1956 crop estimated as of November 1 at 46.3 million cwt., the 34.6 million cwt. carryover and imports of about 0.3 million. Domestic disappearance is expected to total about 25.7 million cwt., well below the 28.4 million of 1955-56 because of a likely reduction in use of rice by brewers and also because a smaller quantity will be ground and sold for feed. In 1955-56, feed use was encouraged by a Government program. The 1956 domestic disappearance is expected to be about the same as the 1950-54 average.

Now let us turn to the chart on the top of page 2. Here we see the all-time high production of 64.2 million cwt. reached in 1954. This indicates a very sharp increase compared with before World War II, when production averaged less than 25 million cwt. This increase was in response to higher prices caused by increased export demand for U. S. rice, a situation resulting from war and postwar disruption in production and export availabilities in other countries.

In 1952, supplies in other countries began to become plentiful. This reduced U. S. exports beginning in 1953-54, causing surpluses to accumulate, and this in turn made acreage controls necessary. As a result, production has been reduced in the past 2 years.

### The Rice Outlook for 1957-58

Now with regard to the announcements and outlook for 1957. On November 20, the Secretary of Agriculture determined that the "certificates" or "two-price" marketing program for rice authorized by the Agricultural Act of 1956 will not be in effect for the 1957 crop. At the same time, he announced the 1957-crop acreage allotment, marketing quota and price support programs. The national acreage allotment was proclaimed at 1,652,596 acres, the minimum permitted by law. The date for the rice referendum to determine producer approval or disapproval of marketing quotas was set for December 11, 1956.

Assuming that about 200 thousand acres are placed in the Acreage Reserve Program of the Soil Bank, and allowing for underplanting of farm acreage allotments, about 1,425,000 acres may be planted in 1957. This estimated planted acreage would produce a crop of about 41.3 million cwt., assuming yields at the 1955 level of 29.0 cwt. This yield is a little higher than in 1956 when low yields in Texas, due to shortage of water, reduced the national average. The 1956 crop was 46.3 million cwt. and the record crop in 1954 was 64.2 million.

U. S. exports in the 1957-58 marketing year will be much less than the record high level in 1956-57. With a crop of 41 million cwt. in 1957 and a carryover of around 17 million cwt., the total supply would be about 58 million cwt., far below this year's total of 81.2 million cwt. With domestic use likely to hold at around 25 million cwt., only 33 million cwt. would be available for export and carryover, compared with the 38 million cwt. expected to be exported in 1956-57. The P. L. 480 program, which provides for sale of rice and other farm commodities for foreign currency, expires June 30, 1957. However, there probably will be some rice committed for export in 1956-57 which will actually be shipped in 1957-58. This, plus commercial exports, probably would be sufficient to result in some further reduction in the carryover by August 1, 1958.

### Rice Prices and Support Rates

Now let us look at the price chart on the bottom of page 2. Except for 1951 and 1954, season average prices received by farmers for rice have exceeded support levels in every year since the support programs were started in 1941. The average price received for rice in mid-October 1956 was \$4.71, which was above the support level of \$4.57. It was also above the average price of mid-September, higher than that in mid-August, and above the \$4.60 in mid-October 1955. For the 1956-57 marketing year as a whole, prices received by farmers are expected to average slightly above the national average support rate, with some varieties and qualities below price supports.

The minimum national average support price for the 1957 crop was announced on November 20. If marketing quotas are approved by producers, price support will be available to eligible rice producers at a national average rate of not less than \$4.43 per cwt., which is 80 percent of the October 15, 1956 parity price of \$5.54 per cwt. This compares with the support price for the 1956 crop of \$4.57, which was 82½ percent of parity, the 1955 crop of \$4.66, 85 percent of parity and the 1954 crop of \$4.92, 90 percent of parity.

The minimum support rate of \$4.43 per cwt. for 1957-crop rice will not be reduced but will be increased if a combination of the rice parity price as of August 1, 1957 (beginning of the marketing year) and the supply percentage as of that date indicate a higher level of support.

Producers who remain within their acreage allotments will be eligible for price support on their entire production. Growers who exceed their farm acreage allotment will be subject to marketing quota penalties amounting to 50 percent of parity (as of June 15, 1957) on their excess production, and none of their production will be eligible for price support.

If marketing quotas are disapproved, there will be no restrictions on rice marketings. Acreage allotments will remain in effect as a condition of eligibility for price support at the 50 percent of parity level required by law when quotas are disapproved.

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THE OUTLOOK FOR TOBACCO FOR 1957 AND LONGER-TERM PROSPECTS

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In the United States, about three-fourths of a million growers, many assisted by their families, produce leaf tobacco that ultimately is consumed and enjoyed by uncounted millions in this country and abroad. These growers and their families depend on tobacco for a great share of the cash income they receive. Surpluses have developed and with some downward adjustments in production in prospect, income from tobacco will be lower than during most of the past few years. Contributing to the surpluses have been the substantial rises in yields per acre in recent years.

For 1957, marketing quotas and acreage allotments will be definitely in effect on flue-cured, burley, Maryland, fire-cured, dark air-cured, and sun-cured tobacco as growers of these tobaccos have approved them in previous referendums. The growers of cigar filler and binder types (42-44 and 51-55) will vote in a referendum to be held before next planting season on whether or not they favor marketing quotas on their next 3 crops. At least two-thirds of the growers voting must approve if quotas are to be continued on these types.

The Soil Bank Program came rather late to have much effect on most of the 1956 tobacco crop since much of it had already been planted. With this Program in earlier operation, participation in 1957 can be expected to be greater than in 1956.

The 1957 marketing quota and acreage allotment for flue-cured is being announced this week. For the other kinds of tobacco, 1957 marketing quotas and acreage allotments will be announced by the Secretary of Agriculture by February 1. Heretofore the latest date for announcing quotas has been December 1, but the law was amended to extend the final date to February 1 for each kind of tobacco except flue-cured for which the final date remains December 1.

Government price supports for the kinds of tobacco under marketing quotas are set at 90 percent of parity except for fire-cured, which is 75 percent of the burley loan level and dark air- and sun-cured, which are 66 2/3 percent of the burley loan level.

About three-fourths of the total annual disappearance of tobacco is accounted for by domestic manufactures and the remaining one-fourth is leaf exports. Most manufactured tobacco products are composed of more than one kind of tobacco, but each kind of tobacco has certain primary uses.

Prepared for the Tobacco Commodity Session at the 34th Annual National Agricultural Outlook Conference, Washington, D. C., November 26-29, 1956.

Cigarettes require by far the largest quantity of tobacco--utilizing flue-cured, burley, Maryland, and imported oriental tobacco. Cigarette output during 1956 is expected to total about 425 billion--3 percent higher than in 1955 and second only to the record 435½ billion in 1952. Domestic consumption at about 394 billion will be close to the peak 1952 figure, but overseas shipments to the armed forces are about 10 billion lower than in 1952. Commercial exports of cigarettes have held fairly stable in the last few years. A gradual uptrend in domestic consumption is expected to continue in the year ahead and the 1957 cigarette output should reach a new high. The sustained high levels of employment and personal income on a national basis are favorable factors. The popularity of filter tip cigarettes appears to be still growing according to trade sources. Present law provides for a reduction in the Federal tax rate on cigarettes on April 1, 1957, unless it is again postponed as has been the case in each of the past 3 years. Increases in tax levies in one-fourth of the States raised retail prices in these States during the recent fiscal year. The number of people in the age groups having the largest proportions of cigarette smokers is increasing only slowly between 1956 and 1960 but some additional consumption can be expected from new smokers.

Despite the expected increase in cigarette output, the prospects that more leaf will be used in cigarette manufacture are not promising. Available data indicate that manufacturers are producing more cigarettes per pound of leaf than formerly. This probably results from less being used per cigarette for some filter tip brands and more complete use of tobacco leaves including midribs (stems) as, for example, in "processed tobacco sheet."

Cigar manufacture utilizes domestic wrapper, binder, continental and Puerto Rican filler, and imported cigar tobacco. Total cigar consumption in 1956 is expected to be about 6.3 billion--3 or 4 percent above 1955 and the highest since the late 1920's. Contributing to the overall increase is the increasing popularity of cigarillos, which are considerably smaller than the traditional average size cigar. With a continuation of high level consumer income in 1957, further gains are expected. However, the expanding use of manufactured binder is resulting in a considerably reduced requirement for the natural binder leaf.

Smoking tobacco for pipes and "roll-your-own" cigarettes is a secondary outlet for the cigarette types of tobacco--particularly burley. The 1956 output is estimated at about 73 million pounds--9 percent less than last year and nearly one-third below the 1947-49 average. Smoking tobacco output probably will continue at a low level since, with incomes remaining high, other forms of smoking are preferred in place of the more economical pipe smoking and "roll-your-own" cigarette.

Chewing tobacco manufacture utilizes dark air-cured, burley, and some grades of the cigar binder types. The 1956 output of chewing tobacco is estimated at near 77 million pounds--3 percent lower than in 1955. The downtrend in chewing tobacco has been under way for many years and is likely to fall to new successive lows in the years ahead.

Snuff manufacture--utilizing mainly fire-cured tobacco--is estimated at about 38 million pounds for 1956. This is about  $2\frac{1}{2}$  percent lower than last year's output. Snuff consumption in the aggregate has been highly stable for years and is expected to continue so in 1957.

Total exports of unmanufactured tobacco during 1956-57 are expected to drop about 10 to 15 percent below the 645 million pounds (farm-sales weight) for 1955-56. Flue-cured makes up over four-fifths of total exports with burley and fire-cured tobacco ranking next in volume. The 1955-56 marketing year exports were the largest since 1946-47 and the fifth largest on record. During 1956-57, quantities of tobacco shipped under Public Law 480 programs (foreign currency sales) are expected to be somewhat smaller than the substantial amounts of last year. Another factor is that prices of the medium-priced grades sought by some countries have advanced considerably in the last year or two because of greater demand for these grades for domestic use.

#### Situation for Leaf Tobacco

There are about two dozen individual types grown in this country although they range widely in volume. It is most practicable to consider many of these in groups of types or kinds.

The 1956-57 total supply of flue-cured is at a record high of over 3.6 billion pounds--3 percent higher than 1955-56. The 10 percent increase in carryover more than offsets the 7 percent decrease in this year's production. This year's acreage for harvest was down about 11 percent, reflecting the reduction in allotments, but average yields per acre reached a new high--about 5 percent above last year's. The 1956-57 total supply of flue-cured is nearly 3.0 times prospective yearly disappearances compared with an average ratio of 2.5 in the 5 years prior to 1955-56. Carryover of flue-cured in mid-1957 will reach a new high--probably around 5 percent above mid-1956.

The great bulk of the 1956 crop has been marketed. Prices averaged about 52 cents per pound--slightly lower than in each of the past 3 seasons. The 1956 support level was 48.9 cents per pound--three-fifths of a cent above a year earlier. A little over one-fifth of the crop was placed under Government loan--roughly the same proportion as from the 1955 crop.

The 1956-57 total supply of burley at near 1.8 billion pounds is a little less than for each of the last 2 years. Carryover is down about 3 percent from the record high of a year ago, but this year's crop is estimated to be about 5 percent above the relatively small 1955 crop. Yields per acre this year may average higher than the 1954 record. The 1956-57 total supply of burley continues to be relatively large-- $3\frac{1}{2}$  times prospective yearly disappearance or well above what the ratio was during most years prior to 1953-54. Burley auction markets opened on November 27. The level of price support is 48.1 cents per pound compared with 46.2 last season. Last year's generally high quality crop brought an average 58.6 cents per pound--an average that exceeded any previous year's.

The 1956-57 total supply of Maryland tobacco is estimated at about 114 million pounds--4 percent above a year earlier and a record high. This year's production is substantially larger than last year's storm-reduced crop and more than offsets the estimated reduction in carryover. Auction marketings for the 1956 crop will be next spring and summer. The crop will be marketed with Government price support for the first time since the 1953 crop. The price support level is 47 cents per pound. Prices averaged 50.2 cents at auctions during the past season. Exports of Maryland tobacco during 1955-56 were the largest for many years.

The 1956-57 total supply of fire-cured tobacco at 205 million pounds is slightly larger than last year's due mostly to a little bigger crop. Yields per acre this year are indicated to be at record or near record highs. In total, the 1956-57 supply continues heavy--about  $3\frac{1}{4}$  times yearly disappearance--and Government loan stocks are relatively large. Auctions for Virginia fire-cured opened on November 26 and for the Kentucky-Tennessee types, usually begin in early January. The level of price support at 36.1 cents per pound is  $1\frac{1}{2}$  cents above that for the 1955 crop. Exports account for around one-half of the annual disappearance of these types. The 1955-56 exports were up some from the level of recent years but remain far below prewar.

The 1956-57 total supply of dark air- and sun-cured tobacco at 117 million pounds is nearly 5 percent larger than for 1955-56 and the largest for many years. The increase was mainly due to the rise in carryover. The 1956-57 total supply is exceedingly large--roughly 4 times yearly disappearance--and Government loan stocks of dark air-cured tobacco are larger relatively than for any other kind of tobacco. The auctions for these types usually begin in late November or early December. The level of price support at 32.1 cents per pound is 1.3 cents more than for the 1955 crop. The 1955-56 exports of dark air-cured were sharply below the higher than usual figure for 1954-55 and the smallest for many years.

The 1956-57 total supply of continental cigar filler at nearly 183 million pounds is slightly less than for 1955-56. The sizable drop in carryover more than offsets the estimated 10 percent increase in this year's production in Pennsylvania--the principal growing area. Stocks of Puerto Rican filler on October 1 at nearly 58 million pounds were only slightly less than a year ago.

The 1956-57 total supply of cigar binder types at about 141 million pounds is 11 percent below a year earlier and the smallest on record. This reduction reflects a 27 percent decrease in this year's crop compared with last year and a 6 percent drop in carryover. The principal decreases in supply occurred in the Connecticut Valley Broadleaf and Havana Seed and the Southern Wisconsin type. Much of the Connecticut Valley binder crop has been sold at prices averaging considerably higher than last season when substantial amounts were placed under Government loan. Domestic use of the binder types in 1955-56 was 5 percent below a year earlier and 13 percent below the 1950-52 average.

The 1956-57 total supply of shade-grown cigar wrapper types at nearly 33 million pounds is a little lower than for 1955-56 and the smallest in 8 years. The 1955-56 exports of wrapper leaf were one-fifth larger than a year earlier and above any previous year.

### Longer-Term Outlook

For the longer-term outlook, it is assumed that employment will continue high, that prices in general will remain stable, and that consumer incomes per capita will increase and significantly so by 1975. Of basic importance are the population increases in prospect. Census projections indicate that between 1956 and 1960 the number of males, 15 years and over, will increase about  $4\frac{1}{2}$  percent and the number of females, 15 years and over, about  $5\frac{1}{2}$  percent. The increases in these population subtotals by 1975 are indicated at about 30 percent for males and 33 percent for females.

In attempting to assess the economic position of tobacco 4 or 5 years hence, it must be recognized that output or consumption, as measured by number of cigarettes or cigars, probably will not bear as close correspondence to the use of leaf tobacco as for many years in the past. Changing technology in tobacco utilization and variation in final-product consumption trends have made numerical output a much less reliable guide to leaf use than formerly.

The number of cigarettes produced (and largely consumed domestically) by 1960 may be 450 to 460 billion--6 to 8 percent greater than in 1956. However, if manufacturers generally achieve fairly satisfactory results in using more midribs of leaves (stems) in manufactured sheet or processed form along with natural leaf strips in cigarettes, then their purchases of leaf from farmers will not need to increase as much proportionately as cigarette output. Depending upon whether and how rapidly this recent development extends throughout the industry and in view of the present large supplies of leaf, it is conceivable that the prospective increases in cigarette consumption in the next few years may not necessitate any increase in tobacco production. However, looking toward 1975, cigarette consumption may increase by that time to around 600 billion or about 50 percent, and this would require a significant increase in leaf production.

The number of cigars and cigarillos produced (and nearly all consumed domestically) by 1960 may be  $6\frac{2}{3}$  to 7 billion or 6 to 11 percent higher than in 1956. Within this range, larger increases may occur if cigarillos continue to become increasingly popular, but probably smaller increases will occur if the traditional average size cigar holds about its present share of the total market. The average weight of cigars and cigarillos combined may decline, and if so, this will lessen the tobacco requirement per unit of output. Also, the development of "homogenized binder" and "reconstituted" tobacco is enabling manufacturers to make more cigars with a substantially reduced quantity of binder leaf. By 1975, the number of cigars and cigarillos might be approaching 9 or  $9\frac{1}{2}$  billion--40 to 50 percent greater than in 1956.

During the last several years of high income and employment, the output and consumption of smoking tobacco for pipes and "roll-your-own cigarettes" have fallen off rather steadily and recently, quite sharply. A further drop of about 10 percent may occur by 1960, but it is possible that a plateau may be reached and the use of tobacco for pipe smoking become more stable.

The output and consumption of chewing tobacco have decreased steadily for many years except during World War II. By 1960, there may be a further decline of about 10 percent below the current level and thereafter, a further gradual decrease. Circumstances of employment, modern day living habits, and attitudes all seem to militate against chewing as a form of tobacco consumption. The use of snuff has been much more stable than chewing and it seems likely that by 1960, the annual use of snuff will be near the recent level or perhaps a little lower.

On the average, export markets have absorbed about one-fourth of the tobacco produced in this country since the war. In general, tobacco consumption abroad can be expected to increase as population grows and if economic conditions continue to improve. The United States produces tobacco that is preferred in many overseas countries. However, production has been expanded in a number of foreign areas. In several foreign countries, greater quantities are being produced for sale in export markets and are offering increasing competition to tobacco grown here. It seems reasonable to expect that for the next 4 or 5 years, tobacco exports from this country will be maintained at least at around 540 million pounds (farm-sales weight)--the 1952-56 annual average--but whether they will expand proportionately with consumption abroad is uncertain. In many countries, governments intervene in one way or another with measures that affect directly or indirectly the imports and exports of tobacco. In 1960 and beyond, it is more than likely that governments of numerous countries will still be playing a significant role in matters affecting tobacco imports and exports.

Table 1.--Manufactured tobacco products: Output or consumption for specified periods

Year	Cigarettes				Cigar consumption	Smoking tobacco output	Chewing tobacco output		Snuff output
	Output	Domestic consumption	Exports	Shipments and other 2/			Plug, twist, and fine-cut	Scrap	
	Billions	Billions	Billions	Billions	Millions	Million pounds	Million pounds	Million pounds	Million pounds
Average 1947-49	380.5	345.2	22.5	12.9	5,635	106.8	53.6	41.3	40.3
1954	401.8	368.7	15.4	17.7	5,962	83.7	44.8	36.6	38.5
1955	412.5	382.1	15.1	15.2	6,050	79.8	42.9	36.2	39.2
1956 1/	425.0	394.0	15.5	15.0	6,270	73.0	40.5	36.0	38.2
Percentage change									
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
1955 to 1956	3.0	3.1	2.6	-1.3	3.6	-8.5	-5.6	-.6	-2.6
Average 1947-49 to 1956	11.7	14.1	-31.1	16.3	11.3	-31.6	-24.4	-12.8	-5.2

1/ Preliminary estimate.

2/ Mainly to armed forces, United States possessions, and for ships' stores.

Table 2.--Tobacco: Harvested acreage and yield per acre, by kinds, for specified periods

Year	Harvested acreage					Cigar			
	Flue-cured	Burley	Maryland	Fire-cured	Dark air- and sun-cured	Filler	Binder	Wrapper	All kinds
	1,000 acres	1,000 acres	1,000 acres	1,000 acres	1,000 acres	1,000 acres	1,000 acres	1,000 acres	1,000 acres
Average 1947-49	993.5	433.3	48.0	69.0	32.3	42.9	41.9	14.8	1,676.1
1954	1,042.2	420.9	50.0	52.0	25.9	33.6	29.6	13.0	1,667.5
1955	990.7	310.4	49.0	48.2	24.2	33.9	27.2	12.9	1,496.7
1956 1/	880.2	311.9	50.0	48.0	23.5	33.0	20.1	12.9	1,379.8
Yields per acre									
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
Average 1947-49	1,186	1,267	790	1,130	1,117	1,509	1,527	1,033	1,208
1954	1,261	1,586	875	1,197	1,317	1,664	1,641	1,264	1,345
1955	1,497	1,514	725	1,353	1,284	1,569	1,546	1,209	1,467
1956 1/	1,573	1,591	850	1,394	1,355	1,700	1,536	1,231	1,540
Percentage change in yields per acre									
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Average 1947-49 to average 1954-56	21.7	23.4	3.4	16.3	18.1	8.9	3.1	19.6	20.1

1/ Acreage as indicated in July and yield per acre as indicated in November.

Table 3.--Tobacco: Domestic supplies, disappearance, season average price, and support price, by kinds, for specified periods (farm-sales weight)  
Flue-cured

Year	Production	Stocks 1/	Supply	Disappearance			Average price per pound	Support price per pound
				Total	Domestic	Exports		
	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Million pounds	Cents	Cents
Average 1947-49:	1,173.9	1,458.4	2,632.3	1,108.0	714.6	393.4	46.0	42.1
1954	1,314.4	1,915.2	3,229.6	1,173.0	744.2	428.8	52.7	47.9
1955	1,483.0	2,056.6	3,539.6	1,281.3	727.8	553.5	52.7	48.3
1956 2/	1,384.4	2,258.3	3,642.7				(52)	48.9
Burley								
Average 1947-49:	549.4	939.1	1,488.5	529.6	492.8	36.8	46.6	41.0
1954	667.6	1,198.2	1,865.8	519.1	486.2	32.9	49.8	46.4
1955	470.0	1,346.7	1,816.7	515.7	481.3	34.4	58.6	46.2
1956 2/	496.1	1,301.0	1,797.1					48.1
Maryland								
Average 1947-49:	38.0	45.8	83.8	35.6	27.6	8.0	48.5	44.8
1954	43.8	68.6	112.4	36.1	27.9	8.2	40.3	3/
1955	32.0	77.5	109.5	38.6	25.7	12.9	4/50.2	3/
1956 2/	42.5	71.5	114.0					47.0
Fire-cured								
Average 1947-49:	77.3	154.6	231.9	70.0	36.0	34.0	30.4	30.7
1954	62.2	134.0	196.2	59.1	29.5	29.6	37.8	34.8
1955	65.2	137.1	202.3	64.6	31.1	33.5	37.3	34.6
1956 2/	66.9	137.7	204.6					36.1
Dark air- and sun-cured								
Average 1947-49:	36.1	74.8	110.9	33.3	24.0	9.3	27.6	27.4
1954	34.1	75.8	109.9	29.1	19.0	10.1	34.1	30.9
1955	31.1	80.8	111.9	26.5	20.7	5.8	31.1	30.8
1956 2/	31.8	85.4	117.2					32.1
Cigar filler								
Average 1947-49:	64.7	125.9	190.6	57.5	56.5	1.0	27.5	5/
1954	56.8	129.8	186.6	50.7	50.6	.1	26.7	6/25.1
1955	53.2	135.9	189.1	62.2	62.2	.5	24.1	6/24.7
1956 2/	56.1	126.9	183.0					6/23.4
Cigar binder								
Average 1947-49:	63.8	124.2	188.0	60.0	53.7	6.3	40.3	5/
1954	48.2	119.8	168.0	50.7	49.1	1.6	40.6	25.1-53.8
1955	42.0	117.3	159.3	49.0	46.6	2.4	34.4	24.5-53.9
1956 2/	30.8	110.3	141.1					7/
Cigar wrapper								
Average 1947-49:	15.3	14.8	30.1	13.3	11.2	2.1	257.0	8/
1954	16.4	18.2	34.6	16.6	12.4	4.2	207.0	8/
1955	15.6	18.0	33.6	16.6	11.5	5.1	212.0	8/
1956 2/	15.9	17.0	32.9					8/

1/ July 1, flue-cured and wrapper; f. Jan. 1, Maryland; Oct. 1, other types. 2/ As of November 1, 1956 (flue-cured price is preliminary indication of season average). 3/ No support since quota not approved by sufficient majority of growers. 4/ Auction market average. 5/ Support levels for filler types--18.3 to 21.1 cents; for binder types--19.8 to 45.1 cents. 6/ Ohio filler only; no support on Pennsylvania filler since quota disapproved by growers. 7/ Connecticut Valley Broadleaf--52.5 cents and Havana Seed--49.0; Southern Wisconsin--22.8 cents and Northern Wisconsin--29.6. 8/ Not applicable.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

THE OUTLOOK FOR VEGETABLES AND POTATOES IN 1957

Statement presented by Will M. Simmons at the 34th  
Annual Agricultural Outlook Conference  
Washington, D. C., November 28, 1956

SUPPLY AND DEMAND PROSPECTS

Supplies of vegetables for fresh market sale into mid-1957 are likely to be no larger and may be a little smaller than in the corresponding period of 1956. Substantially fewer sweetpotatoes will be available than a year earlier, and moderately fewer dry edible beans. On the other hand, supply of dry peas and supplies of canned and frozen vegetables available for distribution during the current marketing season are substantially larger than in the 1955-56 season. Prospects are that the supply of potatoes too, at least into the spring, is likely to be larger than a year earlier.

Previous speakers have outlined, some in considerable detail, the prospect of a continued high level of employment and income in 1957. In this favorable economic climate, domestic demand for fresh, frozen and canned vegetables, and for potatoes, is expected to be at least as strong in 1957 as in the current year. However, a particular market will take increased quantities of most products only at a discount. Thus, production or supplies is also an important factor bearing on farm prices and income and on consumer prices.

COMMERCIAL FRESH VEGETABLES

Total production of vegetables for fresh market sale in the first half of 1957 is likely to be no larger and may be moderately smaller than in 1956. Combined acreage of vegetables for winter and spring harvest may be a little smaller and yields probably will be no higher than a year earlier. Official estimates of acreages of vegetables for winter harvest are presently available for only 7 crops. Acreages of artichokes, kale and shallots are estimated to be the same as in the winter of 1956, but acreages of beets, cabbage, lettuce and spinach are smaller. As a group, the indicated acreage of these 7 vegetables is 13 percent smaller than in 1956 and about 6 percent below the 1949-54 average. Part of the cut in acreage is due to insufficient moisture in Texas. With near average yields on the indicated acreage production of these crops would be down substantially. Since the 7 vegetables typically account for 50 to 55 percent of winter-season volume, it seems likely that total production will be smaller this winter than last.

Both acreage and yield of fresh vegetables in the spring of 1956 were moderately above the average of recent years. Barring an unexpected increase in acreage or unusually high yields, production in the coming spring will be no larger and may be a little smaller than in the spring of 1956.

United States foreign trade in fresh vegetables is very small compared with domestic production, with exports generally exceeding imports. Preliminary reports of acreage indicate that imports of fresh vegetables, particularly tomatoes, from Mexico and Cuba, during the first 6 months of 1957 are likely to be substantially larger than in the first half of 1956. Demand for fresh vegetables in Canada, our chief customer, is expected to continue strong. Exports of winter and spring vegetables probably will be a little larger than in 1956.

Not too much can be said this early regarding price prospects for fresh vegetables during the coming year. However, with overall demand for vegetables expected to remain strong, it appears that prices received by farmers compared with a year earlier will depend largely on the volume produced and marketed.

### VEGETABLES FOR COMMERCIAL PROCESSING

Supplies of both canned and frozen vegetables available for distribution into mid-1957 appear to be substantially larger than the moderate supplies of a year earlier or the 1945-54 average. Carryover stocks of canned vegetables into the current marketing year were substantially smaller than a year earlier, but all reports point to a materially larger pack. The production of 9 important vegetables for processing in 1956 is estimated at 8.1 million tons, about 37 percent more than last year and 40 percent above the 1945-54 average. Among major canned items, biggest increases over a year earlier appear to be in prospect for corn, tomato juice and sauerkraut. The National Cannery Association reports the 1956 pack of canned corn at 35.7 million cases, 24 No. 2's. This indicates that supplies available are about a fourth larger than the small supplies of a year ago, and a tenth above the 1949-54 average. Substantial increases are also expected for snap beans, tomatoes and most tomato products. Supplies of green peas are moderately larger than a year ago, and prospects are for moderately more cucumber pickles. Both the carryover and indicated pack of frozen vegetables are substantially larger than last year.

Demand for canned and frozen vegetables is expected to continue strong into mid-1957. Processing costs are also up. But with the larger supplies, it seems unlikely that packers will be able to pass along the increased costs, and many will be caught in a cost-price squeeze. This and the prospect of larger carryover stocks at the end of the current marketing year is expected to result in a reduction in acreage planted and contracted for processing in 1957.

Despite some increase in distribution costs, retail prices of processed vegetables into mid-1957 are expected to average a little lower than a year earlier. Per capita consumption in the current marketing season probably will be a little higher than in the 1955-56 season.

## DRY BEANS AND PEAS

Although supplies of dry edible beans are moderately smaller than a year ago, overall supplies again appear to be more than ample. Among the more important classes, supplies of pea and red kidney beans are substantially larger than a year earlier, while supplies of pintos and limas are materially smaller. Domestic consumption in 1956-57 may not differ significantly from that of the previous season, but exports probably will be smaller, largely because of anticipated lighter shipments under P. L. 480.

With ample supplies and a support rate of \$6.31 per hundred pounds, substantially the same as for the 1955 crop, prices received by growers for 1956 crop dry beans are expected to average about the same as those of a year earlier. However, prices compared with a year earlier will vary by classes, with pintos and limas likely to be higher and pea and red kidney beans lower. Farmers cut acreage moderately in 1956 and in view of the large production, are likely to make at least a slight cut next year.

During the last 3 or 4 years, farmers have received relatively high prices for dry peas. These favorable prices appear to be largely responsible for the big increase in acreage planted this year. Acreage was up almost a third from that of 1955 and, despite a long time downtrend, was moderately larger than the 1945-54 average. Yields were also above average with the result that production is almost twice that of a year earlier and about a fourth above average. However, domestic disappearance is expected to be substantially larger than a year earlier when supplies were tight. Also exports of peas this season are expected to be much larger because of severe weather damage to the European crop. This large export demand probably will take most of the pressure of heavy supplies off the domestic market and help to hold prices at favorable levels, though perhaps below the high levels of the 1955-56 season. From the standpoint of consumers, prices at retail into late 1957 are expected to average a little lower than those of a year earlier.

Past experience and anticipated good demand for the large 1956 crop, suggests that farmers may be inclined again to plant a large acreage of peas for 1957 harvest. But an acreage as large as in 1956, with normal growing conditions would produce a crop considerably in excess of domestic and normal export requirements. To avoid the risk of excessive production and a sharp price break, farmers would do well to cut acreage back substantially in 1957.

## POTATOES AND SWEETPOTATOES

The potato picture has changed from one of short supplies and high prices last spring and summer to one of burdensome supplies and relatively low prices. The important late spring crop was 11 percent smaller than in 1955 and early summer production was down 15 percent. Old crop potatoes in many areas also began to clean up earlier than usual, and by mid-March prices were above those of a year earlier. Supplies continued tight and prices continued to advance. By mid-July

average prices received by farmers stood at \$5.19 per hundredweight, an all time high. This illustrates the sharp price response of a commodity for which the demand is inelastic.

As all of you know, the tight supply situation has been replaced by one of surplus. The important late fall crop is estimated at approximately 167 million hundredweight, about 13 percent more than last fall and considerably in excess of normal market requirements. And again the inelastic demand for potatoes makes itself felt, with the large supplies depressing prices to relatively low levels.

In response to an industry request, the Department, on September 21, announced a potato diversion program to assist the industry in disposing of the large supplies.

Despite industry efforts to move the big crop as rapidly as feasible and some frost damage to the Maine crop, which is reportedly resulting in heavy shrinkage, stocks of potatoes on January 1 are expected to be larger than a year earlier. Also, indications are that growers in Florida and California plan to plant a substantially larger acreage for winter harvest. Farmers can best contribute to cleaning up the large supplies and maintaining the best overall market conditions by making full use of the diversion program and by consistent and orderly market shipments throughout the season.

Supplies of sweetpotatoes available for distribution into mid-1957 are about one-fifth smaller than a year earlier and the smallest since 1952. With the sharply curtailed supplies available during the next 6 months, prices received by farmers are expected to rise seasonally and to average substantially above the low levels of a year earlier.

Total acreage in 1956 was down 16 percent from a year earlier, with estimated production down about one-fifth. The cut in plantings was fairly general and probably was largely the result of low prices received for 1955 crop sweetpotatoes. The sharp cut in acreage this year and the expectation of higher prices for the 1956 crop suggest that farmers are likely to plant a larger acreage next year. Should yields be near the average of recent years, production in 1957 is expected to be at least moderately larger than in the current year.

#### THE LONG RANGE OUTLOOK

Assuming a prosperous and growing economy for the long run, total requirements for vegetables during the next 20 years are expected to increase at a slightly faster rate than population. Advances in food technology and changes in customs and modes of living may alter significantly the relative importance of what we now classify as fresh and processed components. In the long run, total requirements for dry peas, dry beans, potatoes and sweetpotatoes are likely to increase, but at a slower rate than population. Higher consumer incomes, increased competition from other foods and the trend in consumption away from most starchy-type foods are expected to contribute to the decline in the per capita rate of consumption.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

THE OUTLOOK FOR WHEAT IN 1957

Statement presented by Robert E. Post at the  
34th Annual Agricultural Outlook Conference,  
Washington, D.C., November 29, 1956

The wheat outlook was covered in the August issue of the Wheat Situation, which was released before seeding time for the winter wheat crop. I will here briefly review that outlook statement, making such changes as are necessary to bring it up to date. I have arranged to have the 3 charts which appear in the chartbook projected as a basis for my remarks.

The Wheat Situation in 1956-57

This chart (1016A) shows that the carryover increased sharply from the end of the 1951-52 marketing year until the end of 1954-55. In 3 years it had jumped from 256 million bushels to 1,036 million bushels. Then in the next year, 1955-56, it leveled off and at the end of the current year we expect to see a reduction of perhaps 30 million bushels.

The possible reduction in carryover in 1956-57 reflects the effects of very large exports, likely the 4th largest in our history. These are conservatively estimated at 415 million bushels, which is 70 million bushels above those in 1955-56. The quantity of exports will depend upon a number of factors, including the availability of shipping and the completion of a number of negotiations.

The supply of wheat for the 1956-57 marketing year is estimated at 2,015 million bushels, a new all-time record. If exports total 415 million bushels and domestic disappearance continues at about 600 million bushels, the carryover July 1, 1957 would be about a billion bushels compared with 1,034 million last July 1.

The next chart (650A) shows a reduction in production from the peaks in 1947 and 1952. However, production in 1956 was still at a high level compared with prewar. While acreage has been reduced in the last 3 years, yields have averaged well above postwar.

The Wheat Outlook for 1957-58

In 1957 we can expect a big reduction in production. The acreage will be substantially reduced by farmer participation in the Soil Bank, and unless there is a great improvement in moisture conditions over the southwest winter wheat belt, yields will be poor.

Wheat farmers have signed up 10.7 million acres in the 1957 winter wheat Acreage Reserve Program of the Soil Bank. Allowing for cancellations and measurement shrinkage, this may still leave at least 10 million acres of winter wheat in the Acreage Reserve Program. A smaller proportion of the allotted acreage of spring wheat may be signed up if seeding conditions and wheat prices are favorable. This is especially likely if winter wheat prospects are reduced because drought conditions continue over wide areas. Assuming that after shrinkage, not more than 3 million acres of spring wheat are taken out of production, a total of about 13 million acres may be placed in the Acreage Reserve. Average yields on the remaining acreage would result in a total wheat crop of about 740 million bushels, which is more than 225 million bushels below this year's crop of 976 million bushels.

Domestic disappearance in 1957-58 will not be greatly different from current levels of about 600 million bushels. Exports will again depend upon a number of factors, including production in both importing and other exporting countries, foreign developments which might stimulate stock-piling in certain importing countries and whether some form of Government aid to exports is continued after June 30, 1957 when P. L. 480 terminates. If we assume exports at the 1955-56 level of 345 million bushels, total disappearance would amount to about 945 million bushels. And, a crop of only about 740 million bushels would make it possible to reduce the carryover by July 1, 1958 by about 200 million bushels. While we can only speculate on the amount of reduction, it seems reasonable to conclude that even if moisture conditions improve greatly and even if wheat for harvest is planted on the best soil and is fertilized more heavily than usual, production would be substantially below the probable level of disappearance and a sizable reduction in the carryover stocks in the 1957-58 year would take place.

### The Price Situation and Outlook

Cash wheat prices have advanced since the announcement of the new export program on July 13 and are currently at the season's highs to date and generally 8 cents up to considerably more above loan levels. This latter indicates that many farmers are holding their wheat from the commercial market and redemptions of wheat which has already been placed under loan have not been large. Present price levels support the earlier forecast that the wheat prices to farmers in 1956-57, as a whole, will average above the support level.

On this next chart (836), the last price of No. 2 Hard Winter Wheat at Kansas City shown was for August when the price was \$2.19 per bushel. In September this monthly average rose to \$2.28 and in October to \$2.31. The price as of November 26 was \$2.35.

### The Longer-time Outlook

The minimum acreage allotment established by law at 55 million acres, with average yields, does not permit a reduction in carryover under ordinary conditions since it involves exports of around 250 million bushels, which is a high level to maintain year after year.

The Acreage Reserve Program, however, offers an opportunity to reduce the carryover. In the 2 more years after the 1957 crop that the Acreage Reserve Program has to run, an additional substantial cut in the carryover is expected. Since the large sign-up in the Southwest was associated with dry conditions this year, smaller participation may be expected under more normal conditions. We could guess at what the Acreage Reserve will be able to accomplish after 1957, but this would not be very helpful. However, it is safe to assume that the Reserve Program will do much to reduce our very large stocks of wheat.

On the other hand, as Dr. Waugh pointed out Monday, changes in world developments could make it desirable to have relatively large wheat supplies on hand, under which circumstances we might want to reappraise the need for continued stock reductions.

- - - - -

Before closing, I would like to point out that quarterly stocks data have now been revised in line with the Census. These revisions, which cover the years 1949-55, were published by the Crop Reporting Board on November 15. We published what we thought were the revised figures in the table in the Chart Book, but there were late revisions for some States which did not get included. We are today furnishing a new supply and distribution table to replace the one in the October issue (page 6), which has incorporated the changes necessitated by the revisions in July 1 stock figures.

Wheat: Supply and distribution, United States,  
1951-56 and 1957 projected

Item	Year beginning July						
	1951	1952	1953	1954	1955	1956	1957
	<u>1/</u>	<u>2/</u>					
	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.	Mil. bu.
<u>Supply</u>							
Carryover on July 1	399.9	256.0	605.5	933.5	1,036.2	1,034	1,001
Production	988.2	1,306.4	1,173.1	983.9	936.8	976	740
Imports <u>3/</u>	31.6	21.6	5.5	4.2	9.9	5	5
Total	<u>1,419.7</u>	<u>1,584.0</u>	<u>1,784.1</u>	<u>1,921.6</u>	<u>1,982.9</u>	<u>2,015</u>	<u>1,746</u>
<u>Domestic disappearance</u>							
Food <u>4/</u>	496.5	488.4	487.6	486.4	481.0	483	482
Seed	87.3	88.2	68.7	64.9	66.3	55	55
Industry	.9	.2	.2	.2	.7	1	1
Feed <u>5/</u>	103.7	83.9	77.1	59.6	56.0	60	60
Total	<u>688.4</u>	<u>660.7</u>	<u>633.6</u>	<u>611.1</u>	<u>604.0</u>	<u>599</u>	<u>598</u>
<u>Exports</u> <u>6/</u>	<u>475.3</u>	<u>317.8</u>	<u>217.0</u>	<u>274.3</u>	<u>345.0</u>	<u>415</u>	<u>7/345</u>
Total disappearance	<u>1,163.7</u>	<u>978.5</u>	<u>850.6</u>	<u>885.4</u>	<u>949.0</u>	<u>1,014</u>	<u>7/943</u>
<u>Stocks on June 30</u>	<u>256.0</u>	<u>605.5</u>	<u>933.5</u>	<u>1,036.2</u>	<u>1,033.9</u>	<u>1,001</u>	<u>803</u>

1/ Preliminary.

2/ Projected.

3/ Excludes imports of wheat for milling-in-bond and export as flour.

4/ Includes shipments to U. S. territories and military food use at home and abroad.

5/ This is the residual figure, after all other disappearance is accounted for.

6/ Actual exports including those for civilian feeding under the military supply program.

7/ No basis for forecast at this time. Figure used for export is same as in 1955-56.

( \* - \* )

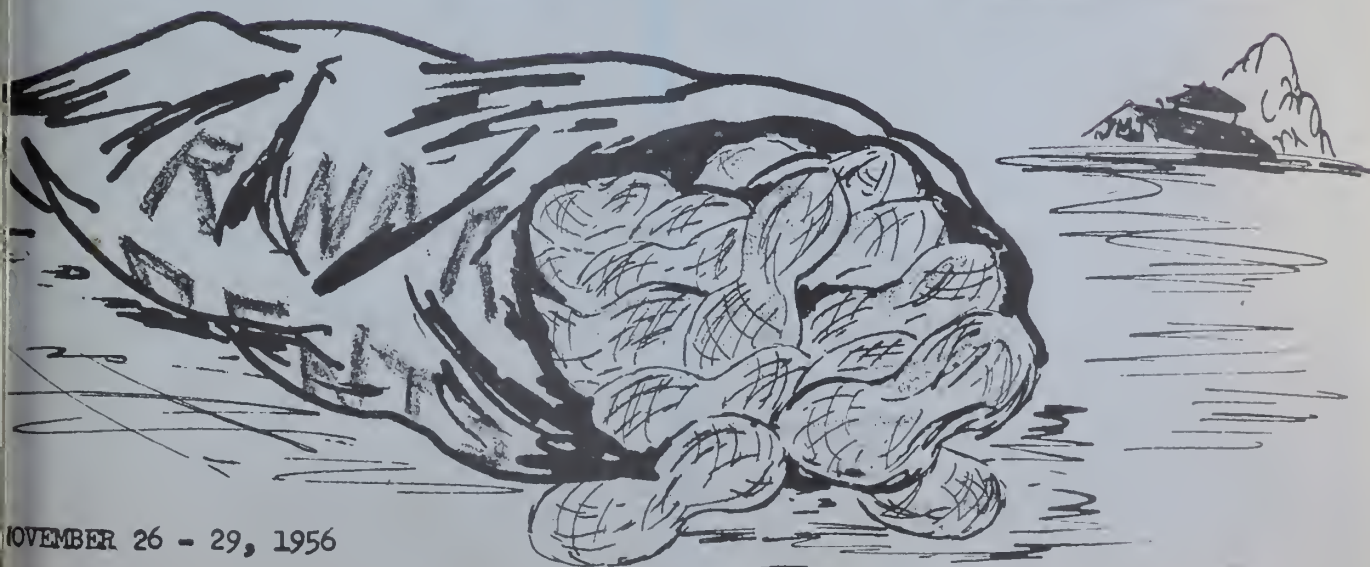
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OUTLOOK  
CONFERENCE  
**Peanuts**

JAN 1 1956



NOVEMBER 26 - 29, 1956

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRI-WASH



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United States Department of Agriculture  
Commodity Stabilization Service  
Oils and Peanut Division  
Washington 25, D. C.

CURRENT SUPPLY PRICE RELATIONSHIPS OF PEANUTS

Reviewing the current supply price relationships we find that the November crop report shows an estimated production of peanuts this year of 7<sup>4</sup>/<sub>4</sub> thousand tons. This is 38 thousand tons less than the production last year and <sup>4</sup>/<sub>3</sub> thousand tons less than the production in 1953 but <sup>2</sup>/<sub>4</sub>0 thousand tons more than the production in the short crop year of 195<sup>4</sup>/<sub>4</sub>.

By types the crop report shows the crop in the Southwest to be 71 thousand tons or about 38 percent of the crop produced in 1955. In the Southeast the crop is estimated at <sup>4</sup>/<sub>1</sub>3 thousand tons or an increase of about <sup>4</sup>/<sub>4</sub> percent over the crop produced last year.

In the Virginia-Carolina area the size of the crop is, of course, still a guess. At the time the November crop report went to press the effect of the prolonged rainy period was not yet known. Some estimates we have received indicate that the crop will be seriously reduced and if so the estimated 260 thousand tons estimated for the Virginia-Carolina area is much too high. On the other hand the damage may not be as great as first feared and the estimate may be approximately correct. If the October figures stand, the crop in the Virginia-Carolina area will be almost a third more than the 1955 crop and four percent more than the 1953 crop.

Carryover of peanut stocks on August 1, 1956, the start of the marketing season, was unusually high. With these stocks and the estimated crop production and excluding the carryover stocks of CCC on August 1, the over-all surplus of peanuts this year may range somewhere between 80 and 110 thousand tons. Supplies of Spanish are indicated to be below normal requirements, but it is expected that for the most part Runners can be substituted.

In the Virginia-Carolina area the supply for the year may range from slightly above to slightly below normal requirements. Carry-in stocks of Virginias were higher than originally estimated and at 60 thousand tons were only 6 thousand tons less than the carryover in 195<sup>4</sup>/<sub>4</sub> and 10 thousand tons less than the carryover in 1953. If the crop report of 260 thousand tons is correct and edible requirements stand at about 250 thousand tons -- a figure slightly above the five year average, the total supply will be above the sum of edible requirements and normal carryout. On the

THE ANTHROPOLOGY OF THE FUTURE

By H. H. S. GUNDEL, M.A., F.R.S.  
The future of anthropology is a subject which has of late years attracted much of the public attention. It is a subject which has of late years attracted much of the public attention. It is a subject which has of late years attracted much of the public attention.

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other hand, if the Virginia crop should be reduced as much as 10 percent the supply still might be enough to meet edible requirements and provide a carryover near normal if, as preliminary reports indicate, the proportion of large size kernels in the crop this year is unusually high. Under this condition with enough large size kernels to meet requirements, any deficit in the total supply would be reflected in the small size kernels which could be offset by substitution of Runner and Spanish type peanuts.

Peanuts imported during the period August 30 to September 10, 1956, will have very little effect on the supply of Virginia peanuts as less than 2 thousand tons, farmers stock basis, were admitted during the period.

Nationwide prices this year have tended to run above support levels but this is primarily because of the premium being paid in the Southwest because of the short crop. The November 7 weekly peanut report shows average prices to farmers on October 15, 1956 at 11.6 cents per pound. This is .7 cents higher than the average farmer advance of 10.9 cents at support levels.

In the Southeastern area prices have tended to stay at the farmer advance level, but in the Southwest premiums of as much as \$50.00 per ton have been paid. The November 7 weekly peanut report indicates that the crop is still selling in the Texas, Oklahoma area at bonuses of \$20.00 to \$30.00 per ton. The level of prices which will prevail in the Virginia-Carolina area is not yet known.

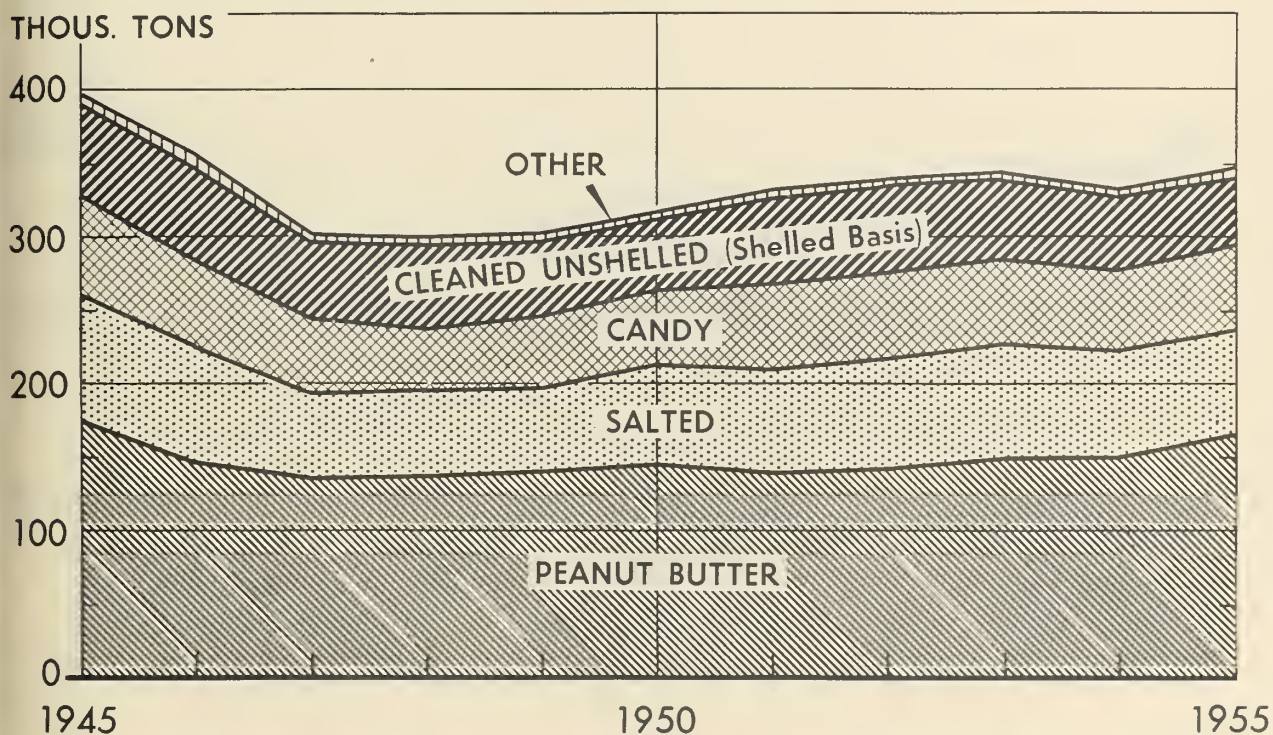
As of our last report from the associations, about 120 thousand tons of peanuts have been placed under loan. A portion of these are Spanish peanuts which will probably be bought back by the trade for edible purposes.



Chart 1. CONSUMPTION OF EDIBLE PEANUTS IN COMMERCIAL PRODUCTS

The consumption of peanuts in commercial products declined after the war, reaching a low point in 1947, 1948, and 1949. Since that time consumption has shown a gradual increase except during 1954 when a short crop was produced. All products have shared in this increase except unshelled peanuts which have declined since 1952.

## PEANUTS USED IN PRIMARY PRODUCTS OR AS CLEANED UNSHELLED 1945-55 (Shelled Basis)



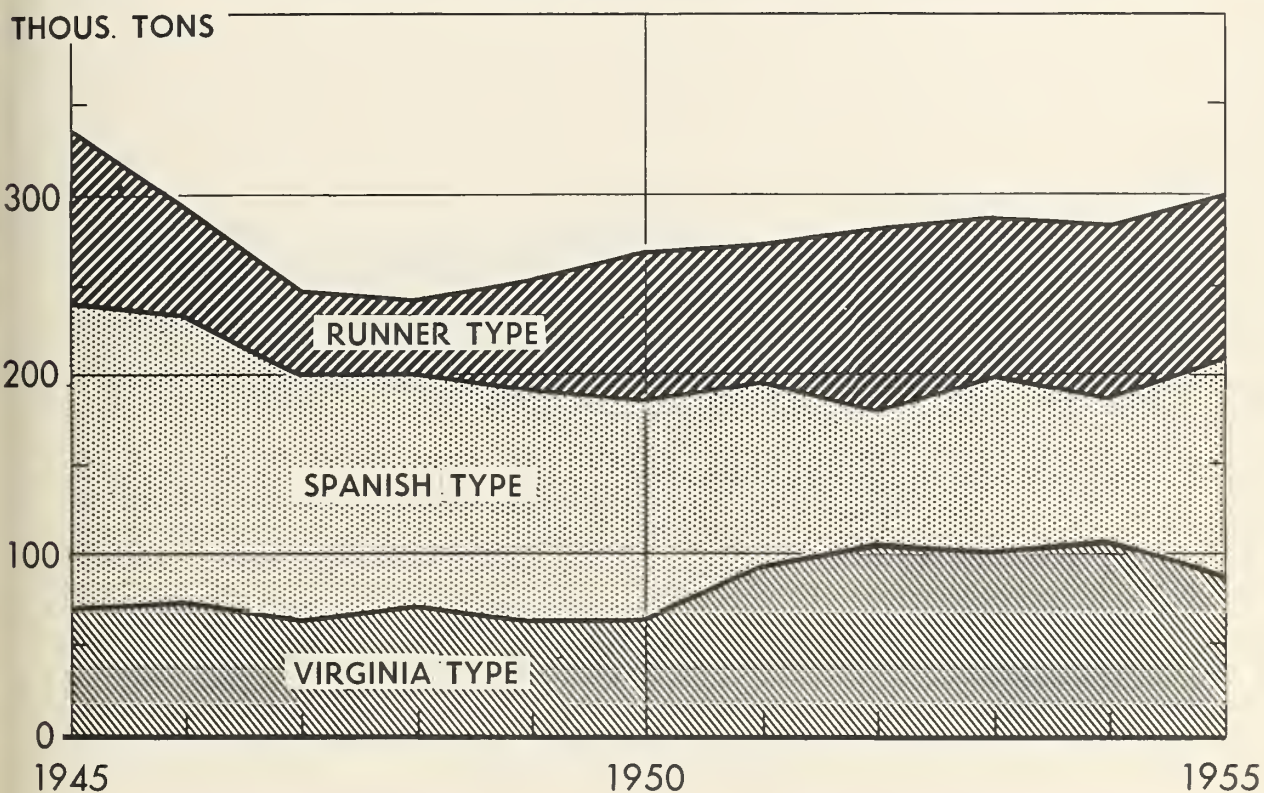
SOURCE: CROP REPORTING BOARD USDA



Chart 2. USE OF EDIBLE PEANUTS IN COMMERCIAL PRODUCTS BY TYPES

Important shifts have occurred since 1948 in the proportionate use of Virginia type, Spanish type, and Runner type edible peanuts in commercial products. The decrease in the use of the Spanish type is most striking. This has occurred in part because of a tendency of farmers in the Southeast to shift from Spanish to Runner production and in part because of periodic shortage due to drought in the Southwest.

## SHELLED EDIBLE PEANUTS USED IN PRIMARY PRODUCTS BY TYPE



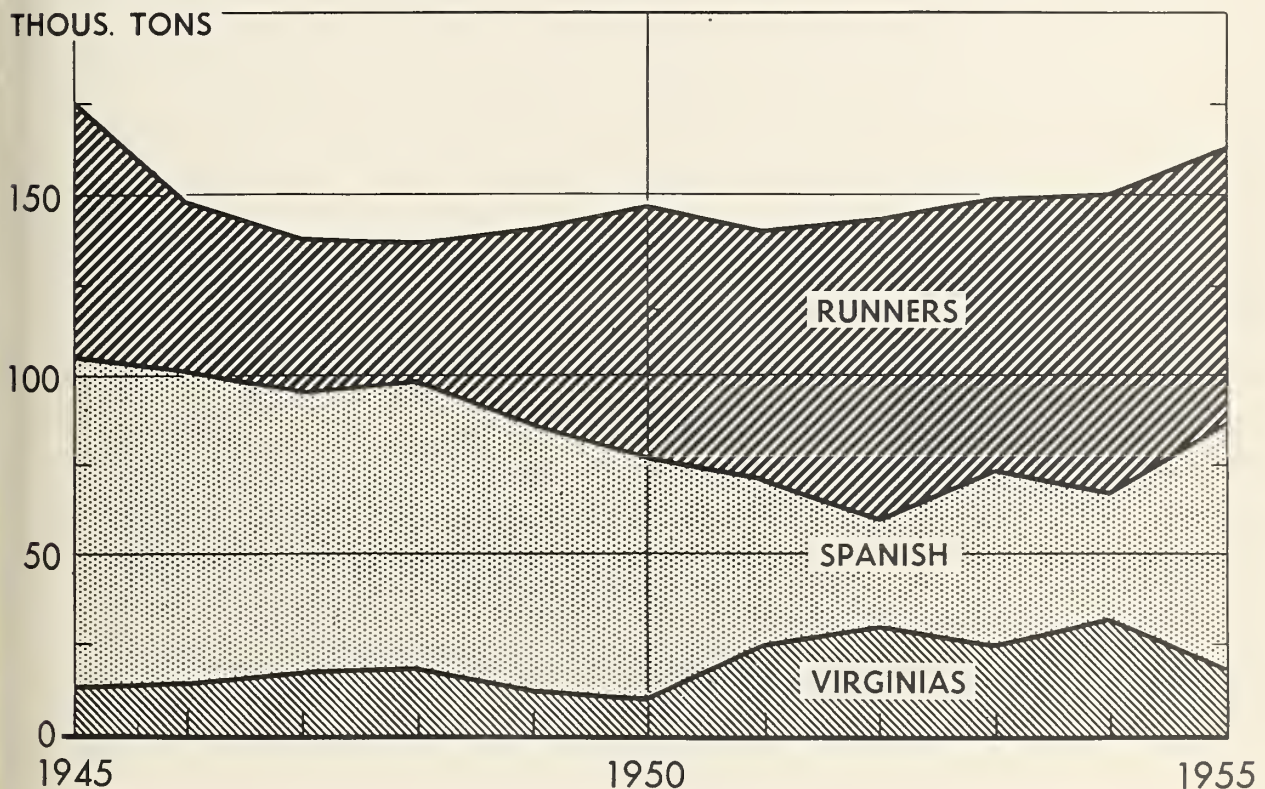
SOURCE: CROP REPORTING BOARD USDA



Chart 3. TYPES OF PEANUTS USED IN PEANUT BUTTER

Broad substitution among types of peanuts used in making peanut butter has occurred as supply and price relationships have shifted. The gradual increase in peanut butter production since 1948 has been accompanied by a marked increase in use of Runners and a noticeable decline in the use of the Spanish type. Use of Virginias has also shown some tendency to increase.

### SHELLED EDIBLE PEANUTS USED IN PEANUT BUTTER



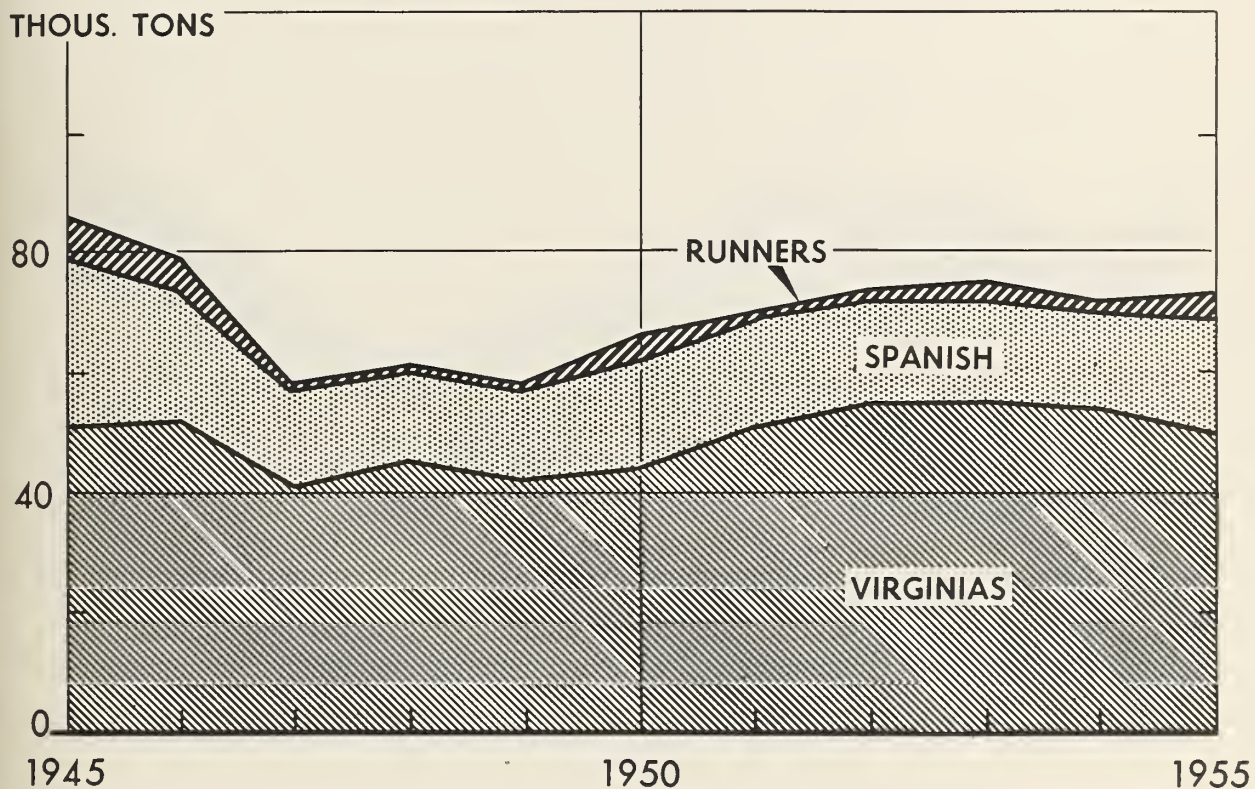
SOURCE: CROP REPORTING BOARD USDA



Chart 4. TYPES OF PEANUTS USED SALTED

Little substitution occurs among types in the salted nut trade. Some increase has occurred in the processing of salted nuts since 1949, but in most years since the war the proportion of Virginias used has held between 70 and 75 percent. Except for the use of from 2 to 5 percent Runners, the remainder of the salted peanuts are of the Spanish type.

### SHELLED EDIBLE PEANUTS USED SALTED



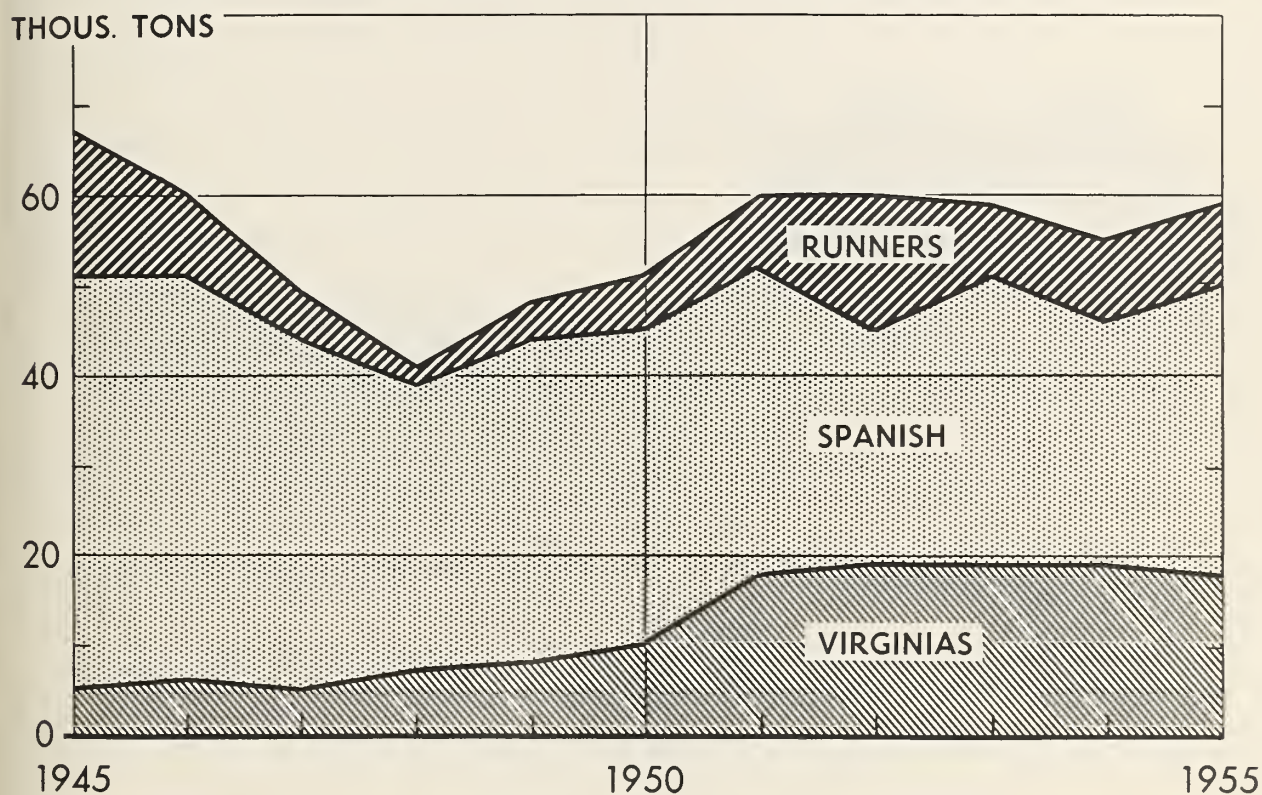
SOURCE: CROP REPORTING BOARD USDA



Chart 5. TYPES OF PEANUTS USED IN CANDY

Candy makers continue to show a strong preference for Spanish type peanuts. Limited substitution and some indication of a change in demand as among the types used in candy since the war are evident. Virginias increased sharply between 1949 and 1951 and have held at the higher level. Runners show only a small gain.

## SHELLED EDIBLE PEANUTS USED IN CANDY



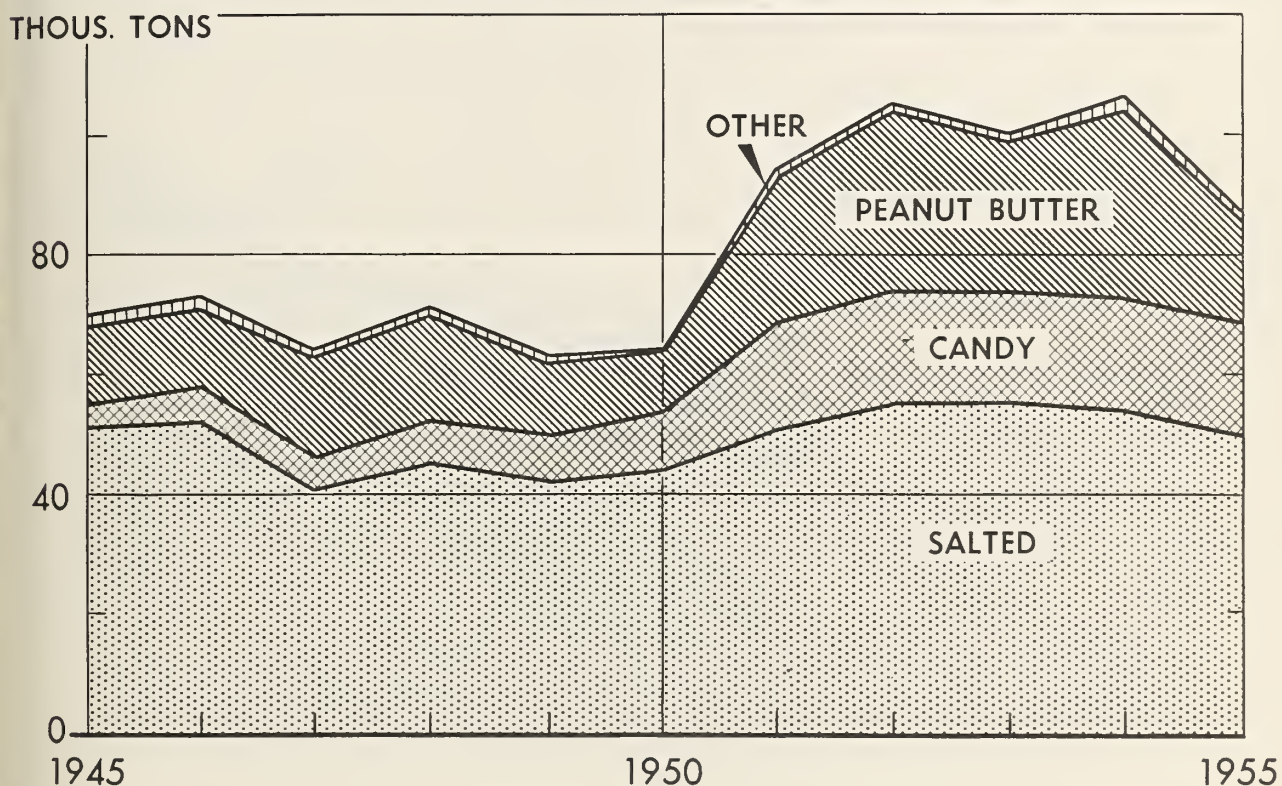
SOURCE: CROP REPORTING BOARD USDA



Chart 6. VIRGINIA SHELLED EDIBLE PEANUT USES

After holding relatively steady for six years after the war, use of shelled edible Virginia type peanuts in commercial products increased to what appears to be a new level of usage. The increase was reflected by greater use in each of the three major products with the largest proportionate gain in candy. Similar quantitative but smaller relative increase occurred in peanut butter.

## VIRGINIA SHELLED EDIBLE PEANUTS USED IN PRIMARY PRODUCTS



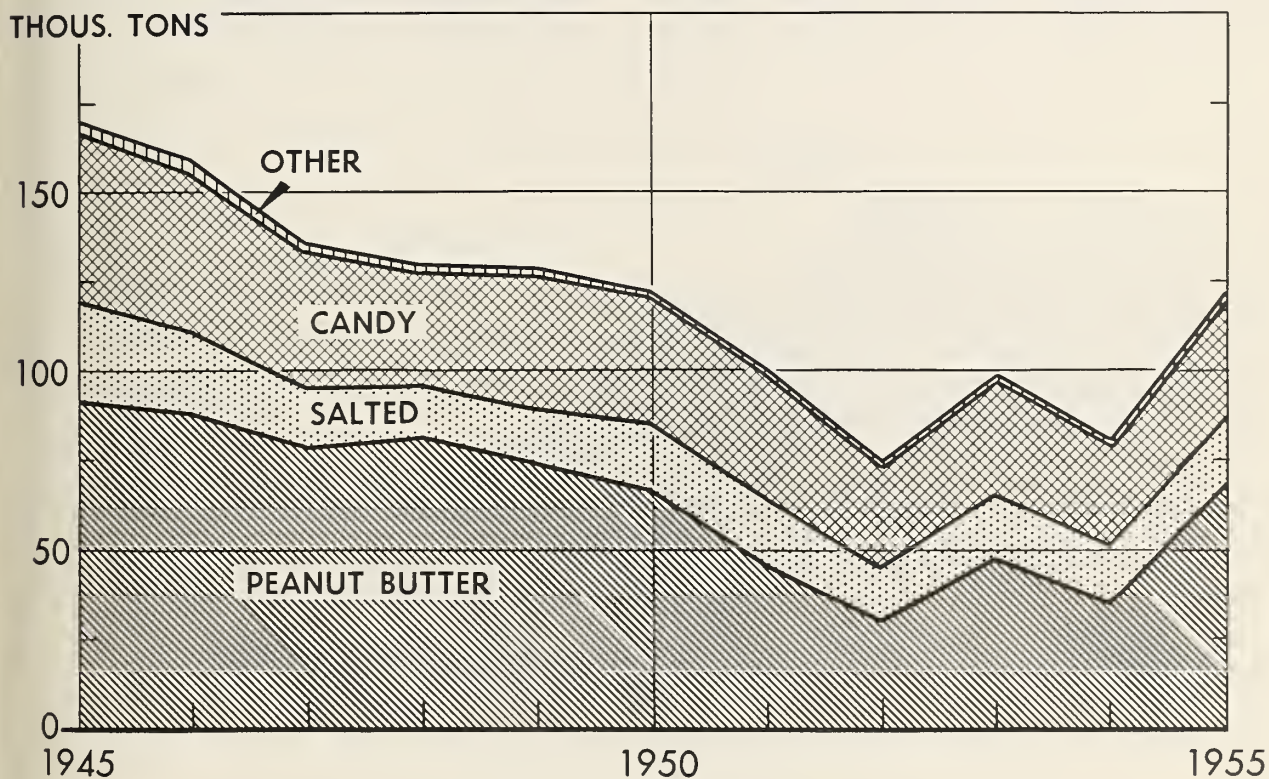
SOURCE: CROP REPORTING BOARD USDA



Chart 7. SPANISH SHELLLED EDIBLE PEANUT USES

Edible use of Spanish type peanuts moved from near 130,000 tons in the years 1947-49 to an average of 93,000 tons for the years 1952-55. The decrease occurred almost entirely in peanut butter with only minor decreases in salted and candy uses. The change in over-all usage is chargeable in part to shifts from Spanish to Runner production in the Southeast and in part to poor crops in the Southwest.

## SPANISH SHELLLED EDIBLE PEANUTS USED IN PRIMARY PRODUCTS



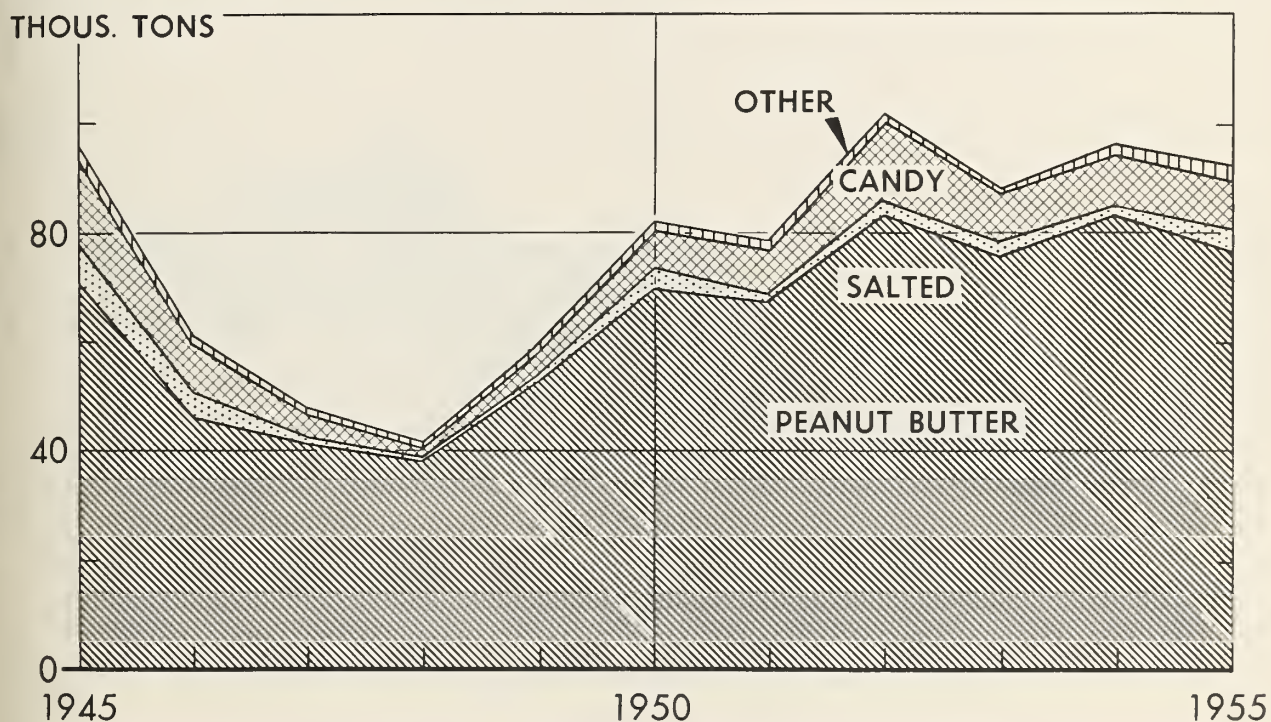
SOURCE: CROP REPORTING BOARD USDA



Chart 8. RUNNER SHELLED EDIBLE PEANUT USES

Edible use of Runners moved from an average of about 50,000 tons in the years 1947-49 to an average of about 94,000 tons in the years 1952-55. About 36,000 tons of this gain was in peanut butter and about 7,000 tons in candy. Factors involved in this shift were somewhat better quality and ample supplies of Runners to replace the decreasing supplies of Spanish peanuts.

### PEANUTS: SHELLED RUNNERS (Raw Basis) USED IN PRIMARY PRODUCTS - CROP YEARS 1945 THROUGH 1955



SOURCE: CROP REPORTING BOARD USDA



Chart 9. PRODUCTION AND DIVERSIONS ALL TYPES

Production which was increased to provide oil for war-created needs has been reduced close to current edible requirements by application of marketing quotas since 1949. Production of Virginias which was expanded least during the war has been reduced least. Since 1952 diversion of surplus amounted to 235,000 tons for Runners; 44,000 tons for Spanish and 16,000 tons for Virginias. Diversion by types is shown by the unshaded portions on the chart below.

## PEANUTS: PRODUCTION AND DIVERSIONS, ALL TYPES

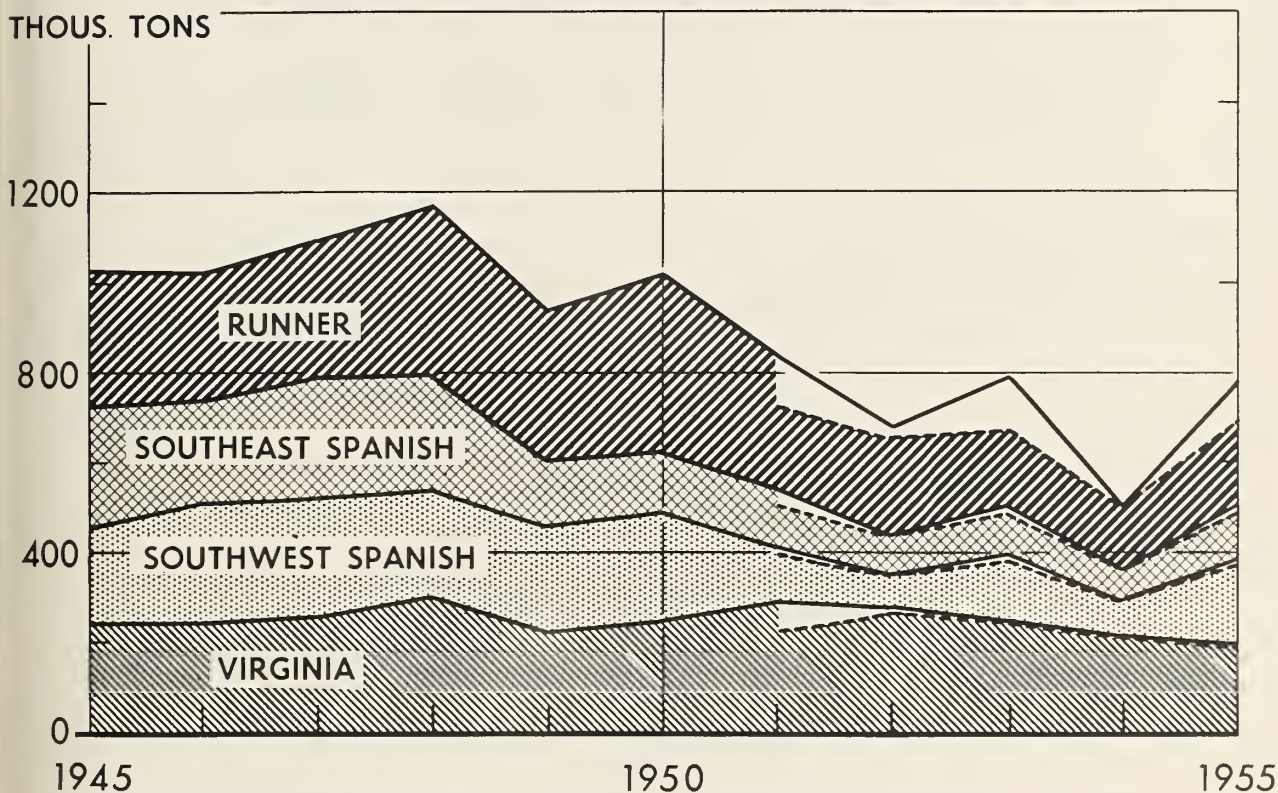




Chart 10. PEANUT PRICES, CONSUMER PRICES, AND TREE NUT PRICES

Average price relationships for the last five years as against the average for 1935-39 show peanut prices to be 335 percent of the 1935-39 level; consumer prices 190 percent; and tree nuts 207 percent. Peanut prices have trended upward since 1945 and at a more rapid rate than consumer prices. Tree nuts prices have varied and have not shown a steady upward trend.

**INDEXES: CONSUMERS PRICES, PRICES RECEIVED BY FARMERS  
FOR PEANUTS AND WHOLESALE PRICES TREE NUTS,  
UNITED STATES 1945-55 (1935-39-100)**

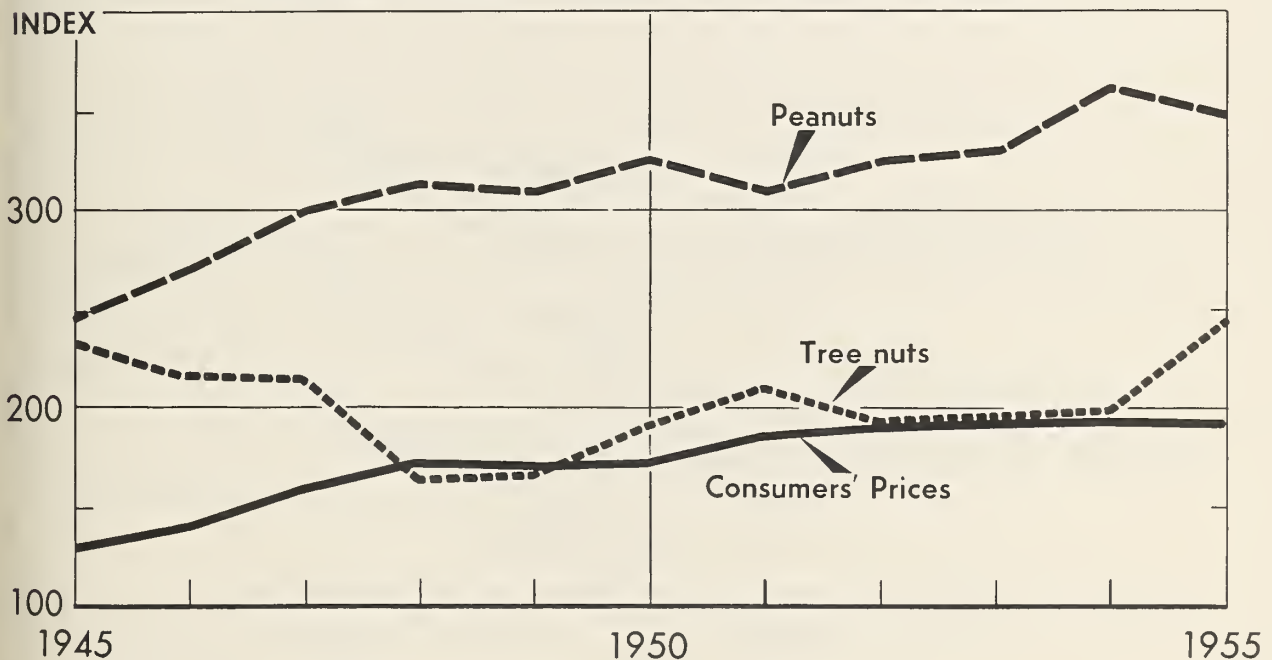
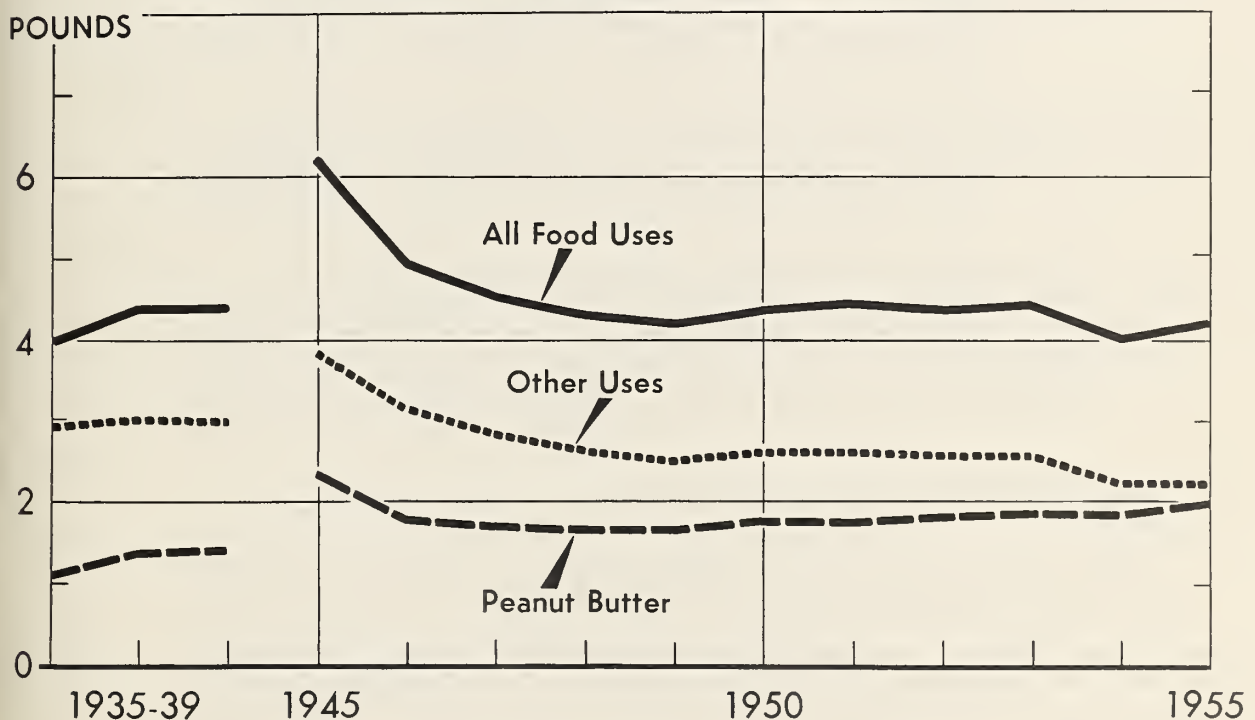




Chart 11. PER CAPITA CONSUMPTION OF PEANUTS AND PEANUT PRODUCTS

Total per capita consumption of peanuts since 1949 has been relatively stable and at about the 1935-39 level. Peanut butter has increased above the pre-war level but other products have declined.

## PER CAPITA CONSUMPTION OF PEANUTS, PEANUT BUTTER AND OTHER PRODUCTS (Shelled Basis)





In summary, from an economic viewpoint the peanut industry has not shown a satisfactory rate of growth in the postwar years. On the contrary, consumption on a per capita basis is about holding its own for some products and declining for others. The supply of peanuts in relation to the edible requirements for the various types has created some problems. Prices of peanuts have increased more in the postwar period than have prices generally for goods bought by consumers or the prices of competing products such as tree nuts. The influence of supply, price, type and quality factors upon the growth of the peanut industry should be considered by farmers who are interested in producing and moving a larger volume of peanuts to market.

**MARKETING QUOTAS** - The purpose of peanut marketing quotas is to maintain a continuous and stable supply from domestic production adequate to meet consumer demand at prices fair to both producers and consumers.

Legislation provides for a quota equivalent, in effect, to estimated edible requirements. The law originally authorized production and sale of excess peanuts at the market value for oil and meal. Penalty was fixed for noncompliance.

During the war and early postwar years, quotas were removed. Production was encouraged to provide oil needed by the U. S. and its allies. Shellers bought peanuts against support prices and CCC underwrote any loss on peanuts going into oil.

The legislation was amended during the postwar period. In 1950 and 1951, production and sale of excess peanuts for oil and meal were permitted on a limited basis. Beginning with 1952, a penalty equal to 50 percent of the support price was placed on all sales of excess peanuts. This penalty was increased to 75 percent of support in 1956.

In general, marketing quotas since 1949 have not resulted in adequate and stable supplies. Wide variation in yields as a result of weather conditions causes production to vary substantially from quotas. In most years, there has been some surplus because quotas, as based on the minimum allotment fixed by law, have been somewhat above edible requirements. In 1954 the production was inadequate to meet domestic requirements and imports were necessary. In 1955 the production of Virginia type peanuts was inadequate to meet edible requirements for that type. Although quotas have not resulted in adequate and stable supplies, they have reduced production from the wartime level of around one billion tons to an average for the four years, 1952-55, of 688,000 tons. Quotas and allotments have been established and administered to the satisfaction of most peanut growers by State and local offices and committees.



SUMMARY OF PEANUT QUOTA-ALLOTMENT PROVISIONS, AGRICULTURAL  
ADJUSTMENT ACT OF 1938, AS AMENDED

A. National Marketing Quota

1. When proclaimed. Between July 1 and December 1 of each calendar year, the Secretary is required to proclaim a national marketing quota for the next crop of peanuts. (The act applies to all peanuts produced, excluding any peanuts that were not picked or threshed either before or after marketing from the farm. That fact must be established by the producer or otherwise, in accordance with regulations of the Secretary.) The proclamation of such quota must be made regardless of the supply of peanuts.

2. Amount. The amount of the national marketing quota is the quantity of peanuts that will make available for marketing a supply equal to the average quantity of peanuts harvested for nuts during the preceding 5 years, adjusted for current trends and prospective demand conditions. The quota, however, may not be less than the quantity of peanuts that will provide a national acreage allotment equal to the allotment established for the 1941 crop (1,610,000 acres).

3. Conversion to national acreage allotment. The national marketing quota must be converted to a national acreage allotment by dividing the quota by the normal yield per acre of peanuts for the United States. The normal yield is determined on the basis of the average yield per acre in the preceding 5 calendar years, with such adjustments as are necessary for trends in yields and for abnormal conditions of production. The minimum national acreage allotment is 1,610,000 acres.

4. Referendum. Not later than December 15 each year, a referendum must be held to determine whether farmers who produced peanuts that year favor or oppose marketing quotas for the next three crops of peanuts. If more than one-third of the farmers voting in the referendum oppose marketing quotas, the Secretary is required to proclaim that marketing quotas will not be in effect for the crop produced in the following year. If as many as two-thirds of those voting in the referendum approve quotas, no referendum is required for the second and third years of the 3-year period.

5. Termination of increase in quota. The quota may be increased or terminated if, after investigation, the Secretary finds such action necessary to (a) make available, free of marketing restrictions, a normal supply of peanuts, (b) meet a national emergency, or (c) meet an increase in export demand for peanuts.



## B. National Acreage Allotment

1. When determined. Although the act does not specify the exact date on which the national marketing quota must be converted to a national acreage allotment, it is apparently intended that such allotment would be determined at the same time the national marketing quota is proclaimed, which is between July 1 and December 1.

2. State acreage allotments. The national acreage allotment, less the acreage set aside for "new" farms, (farms on which peanuts have not been produced in any one of the last 3 years) must be apportioned among the States on the basis of their shares of the national allotment for the preceding year.

3. County acreage allotments. Upon recommendation of the State committee, the Secretary may provide for apportionment of the State acreage allotment among the counties in the State on the basis of the acreage harvested for nuts during the last 5 years, with adjustments for abnormal conditions, trends in acreage, and for additional allotments for types of peanuts in short supply under Section 358(c) (2) of the Act.

4. Farm acreage allotments. The State acreage allotment, or the county allotment if county allotments are established, is apportioned among farms in the State or county, as the case may be, on which peanuts were grown in any of the last 3 years. The apportionment is based on the past acreage of peanuts and takes into consideration previous allotments; abnormal conditions; land, labor, and equipment available for the production of peanuts; crop-rotation practices; and soil and other physical factors affecting the production of peanuts. Acreage not to exceed 1 percent of the national acreage allotment must be apportioned among farms on which peanuts have not been produced during any of the last 3 years. This apportionment is based on the peanut-producing experience of the producers and the factors enumerated above, except past acreage and allotments for the farm. Any acreage harvested in excess of the farm acreage allotment is not to be considered in establishing the farm acreage allotment in the future. If peanuts are not properly marketed or accounted for in accordance with regulations issued by the Secretary, the next allotment for the farm or farms involved in the violation will be reduced.

5. Release and reapportionment of farm acreage allotments. Acreage allotted to individual farms may be surrendered for 1 year or permanently to the county committee for reapportionment to other farms in the county on the basis of specified factors. The peanut history for farms that release acreage for 1 year and for farms that receive acreage under this provision is not affected.

6. Preservation of unused acreage allotments under the Soil Bank Act. If the peanut acreage planted on a farm in any of the years 1956 through 1959 is less than the farm's allotment, the entire allotment shall be considered to have been planted when future State, county, and farm allotments are determined. To preserve his allotment, however, the owner or operator of the farm must notify the county committee before the 60th day preceding the beginning of the marketing year.



7. Effect on acreage allotments and quotas under the Soil Bank Act. Any part of a farm peanut allotment put in the Soil Bank is credited to the State, county, and farm as though the acreage had actually been devoted to the production of peanuts for the determination of future peanut allotments.

8. Effect of other programs under the Soil Bank Act.

(1) Insofar as the acreage of cropland on any farm enters into the determination of acreage allotments and marketing quotas under the Agricultural Adjustment Act of 1938, as amended, the cropland acreage on the farm shall not be deemed to be decreased during the period of any contract entered into under the conservation reserve program by reason of the establishment and maintenance of vegetative cover or water storage facilities, or other soil, water, wildlife, or forest conserving uses, under such contract; and

(2) On any farm the acreage that is determined under regulations of the Secretary to have been diverted from the production of any commodity in order to carry out the contract entered into under the conservation reserve program shall be considered acreage devoted to the commodity for the purpose of establishing future State, county, and farm acreage allotments under the Agricultural Adjustment Act of 1938, as amended, and base acreage under this Act.

C. Increase of State and farm acreage allotments by types.

1. When required. Whenever the Secretary determines that the supply of any type or types of peanuts is insufficient to meet the demand for cleaning and shelling purposes at prices at which the Commodity Credit Corporation may sell its stocks, he must increase State acreage allotments appropriately. However, no State allotment may be increased above the acreage harvested in the State in 1947.

2. Apportionment to farms. The increase in the State allotment must be apportioned to farms producing the type or types of peanuts on the basis of the average production for the last 3 years.

3. Effect on existing and future quotas and allotments. The increases are in addition to the national marketing quota and the national acreage allotment, and cannot be included in computing future State, county, and farm acreage allotments.

D. Farm Marketing Quotas

1. Amount. The amount of the farm marketing quota is the actual production of the farm acreage allotment.

2. Marketing quota penalty. The marketing of peanuts in excess of the farm marketing quota, or the marketing of peanuts from any farm for which no acreage allotment was determined, is subject to a penalty at a rate equal to 75 percent of the basic rate of the price-support loan for quota peanuts for the marketing year beginning in the calendar year in which such peanuts are produced.



#### E. Exempt Farms

Quotas are not applicable to any farm on which the acreage of peanuts harvested for nuts is 1 acre or less.

#### F. Review of Quotas and Allotments

Any farmer who is dissatisfied with the marketing quota or acreage allotment established for his farm may, within 15 days after notice of his quota or allotment is mailed to him, apply to have a review committee determine whether the quota or allotment was properly established. If the farmer is dissatisfied with the determination of the review committee, he may have a Federal or State court review the determination.

#### G. Payment and Collection of Penalties

The penalty on peanuts that are subject to penalty must be paid by the person who acquires the peanuts from the producer, and that person may deduct an amount equivalent to the penalty from the price paid the producer. The Secretary is authorized to require collection of the penalty on a portion of each lot of peanuts marketed from the farm. The portion is equal to the proportion the excess acreage is of the total acreage of peanuts on the farm. If the person required to collect the penalty fails to do so, he and all producers on the farm are jointly and severally liable for the amount of the penalty.

#### H. Records and Reports

Producers, handlers, buyers, and processors of peanuts are required to keep records and to make reports of their production and transactions as the Secretary may require.

#### I. Measurement of Farms

The Secretary, through the county committees, provides for measurement or determination by other means of the acreage of peanuts on each farm.

#### J. Regulations and Enforcement

The Secretary is authorized to issue such regulations as are necessary for the enforcement of the marketing quota provisions. The district courts of the United States have jurisdiction to enforce the provisions.



## PRICE SUPPORT PROGRAM FOR PEANUTS

The general purpose of peanut price supports is to protect the prices received by growers for peanuts at levels established in accordance with law.

The support price for peanuts is determined from the flexible support scale, which ranges from a minimum of 75 percent to a maximum of 90 percent of parity support. Within this range the level of support depends on the supply percentage unless the Secretary of Agriculture, using his discretion, establishes support at a level higher than that indicated by the supply percentage.

The supply percentage is total supply divided by normal supply. Total supply consists of the carry-in at the beginning of the marketing year plus production and imports during the preceding year. Normal supply consists of domestic edible consumption during the preceding year, adjusted for trend and abnormal conditions, plus exports, plus an allowance for carry-over (equal to 15 percent of the sum of domestic consumption and exports).

The level of support for 1956 crop peanuts was computed as follows:

	<u>Thousand Tons</u>
<u>Total Supply</u>	
Estimated carryover August 1, 1956	190
Estimated production (1956 crop)	655
Estimated imports	1
	<u>846</u>
<u>Normal Supply</u>	
Estimated domestic edible consumption	638
Estimated edible exports	2
Allowance for carryover	96
	<u>736</u>

Total supply of 846,000 tons divided by normal supply of 736,000 tons equals a supply percentage of 114.9. With a supply percentage of 114.9, the minimum level of support on the flexible scale is 86 percent of transitional parity.

The next step in determining price support is to find effective parity. Reference to effective parity raises the question of differences between old and new parity. We moved away from old parity for the first time in 1956.

The 1910 to 1914 period was the base period used under old parity. To find parity under the old formula one simply has to determine how many times greater the prices paid today are than the prices paid in the 1910-14 period and use this as a multiplier on the average price received by farmers for a particular commodity in that period.



To illustrate: In October, 1955, farmers in general paid 2.82 times as much for substantially the same goods as they did during the base period. Peanut growers received 4.8 cents per pound during the base period 1910-14. According to theory, therefore, if the price the farmer received on peanuts during the base period (4.8 cents) is multiplied by 2.82, he would have the same buying power he had during that period. Old parity for 1956 crop peanuts is 13.9 cents per pound.

In computing new parity, the base period is the most recent 10 year period. The list of prices-paid-items used in new parity has been revised to reflect technological changes since 1910. Therefore, some obsolete items have been deleted from the list and some new items added. New parity in connection with 1956 crop peanuts was computed as follows: The average of the indexes of prices received by farmers in general, during the same period, was 265. The base price for peanuts of 10.7 cents per pound was adjusted by dividing by 265. The result of this computation was multiplied by 287, which is the applicable parity index, and new parity was determined to be 11.6 cents.

New parity for 1956 crop peanuts is about 16 percent below old parity. However, legislation provides that the maximum decrease in the parity price, in any year, would be 5 percent. Therefore effective parity for 1956 crop peanuts is 85 percent of old parity, or 13.2 cents per pound. This is known as transitional parity. Recent legislation provided that for the 1957 crop transitional parity would not be less than 95 percent of old parity as of August 1, 1957. Assuming that current legislation remains in effect, and assuming further that the current relationship between old and new parity remains the same for 1958 and 1959, transitional parity would be 80 percent of old parity for 1958 crop peanuts and 75 percent of old parity for 1959 crop peanuts.

#### BASIC CHANGES IN 1956 PROGRAM

The 1956 price support program is different from that in effect in 1955 in three respects. These are as follows:

1 - Historical price data by types, has been brought up to date, using the latest information available on the grade factors, (sound mature kernels, damaged kernels, etc.) which could be expected in an average grade ton of peanuts.

2 - The second change consists of providing for a payment for the percent of kernels other than sound mature kernels in addition to the payment for the sound mature kernels. This change was made because failure to assign a value for other kernels for loan purposes tended to cause buyers to purchase and mill peanuts with a low percentage of loose shelled kernels and a high percentage of other kernels while encouraging the



placing under CCC loan of peanuts having a high percentage of sound mature kernels and a low percentage of other kernels. This situation resulted in inaccurate pricing of peanuts for loan purposes from the standpoint of individual growers and tended to cause movement of the lower quality portion of the crop into edible channels with delivery of the better quality portion of the crop to CCC.

3 - The third change involves increasing the size of screen for grading farmers stock Spanish and Runner type peanuts. In recent years the grade factors used for price support purposes have been determined by passing a shelled sample over a 14/64 inch screen in the case of Spanish peanuts and over a 15/64 inch screen in the case of Runners. In the 1956 support program these screens have been changed to 15/64 and 16/64 inch screens for Spanish and Runner types respectively. This change was made to be consistent with changes being made for the 1956-57 crop year in the size of screens and method of grading shelled peanuts. Changes on the shelled basis were primarily for the purpose of improving the quality of peanuts going into the edible market and similar changes on the farmers stock peanuts seem to be in order so long as the support price which the farmer receives for a given lot of peanuts was not reduced.

The above changes in the program have not reduced returns to growers for their peanuts, but, on the contrary, have increased the average price and returns somewhat. For the first time in 1956, price support was changed from 90 percent of old parity to the flexible support scale and transitional parity. A supply percentage for 1956 crop peanuts of 114.9 was determined; using the flexible support scale this gave a support rate of 86 percent of transitional parity. Old parity for 1956 crop peanuts is 13.9 cents per pound. Transitional parity for 1956 crop peanuts, which is 95 percent of old parity, is 13.2 cents per pound. The average support price for 1956 crop peanuts (86 percent of 13.2 cents) is therefore 11.35 cents per pound. Had peanuts been supported in 1956 at 90 percent of old parity the average support price would have been 12.51 cents per pound. Therefore, under the flexible support scale and transitional parity, with no additional changes being made in the program, farmers could have been expected to receive an average of 1.16 cents per pound or \$23.20 per ton less than they would have received had peanuts been supported at 90 percent of old parity. However, because of the changes discussed above farmers on the average are receiving only \$18.00 per ton less than they would have received had peanuts been supported at 90 percent of old parity. The changes made in the method of calculating value for price support purposes represent improvements over those used in 1955.



## SOIL BANK

The Soil Bank operation poses some special problems when it comes to peanuts. There is no big carryover of peanuts such as that accumulated for wheat and cotton accumulated over a series of years. Rather, surplus has been disposed of from year to year by diversion. In applying the Soil Bank for peanuts for any given year, therefore, it is necessary to be careful that any reduction in the current crop will not be so great that it creates a shortage in supply, thus leading to the troublesome problem of imports. Furthermore, cost of reducing production through Soil Bank will be as much as or more than the cost of diverting an equivalent quantity of peanuts into domestic crushing or export.



United States Department of Agriculture  
Commodity Stabilization Service  
Oils and Peanut Division  
Washington 25, D. C.

Peanuts: Acreage allotment, acreage harvested, production, yield per acre, price, and value of production, United States and area, Average 1937-41, Annual 1945-46

Picked and threshed						
Year	Acreage allotment <u>1/</u>	Acreage	Production <u>2/</u>	Yield per acre	Price per pound received by farmers <u>2/</u>	Value of production <u>3/</u>
	1,000 acres	1,000 acres	1,000 tons	lbs.	Cents	Million Dollars
<u>Virginia-Carolina Area</u>						
1945		486	230	945	9.19	42
1946		450	234	1,041	10.30	48
1947		459	251	1,094	11.00	55
1948	<u>4/</u> 372	464	293	1,263	10.90	64
1949	390	373	220	1,179	10.90	48
1950	372	379	242	1,275	12.70	60
1951	391	381	281	1,477	12.20	68
1952	319	311	274	1,765	11.30	63
1953	291	291	245	1,685	12.00	59
1954	278	284	212	1,495	13.50	58
1955	299	309	194	1,256	13.10	52
1956	316	<u>5/</u> 321	<u>5/</u> 263	<u>5/</u> 1,638		
<u>Southeast Area</u>						
1945		1,712	579	677	8.05	93
1946		1,682	522	621	8.78	92
1947		1,731	580	670	9.92	115
1948	<u>4/</u> 1,257	1,754	641	731	10.50	134
1949	1,401	1,234	484	785	10.20	99
1950	1,126	1,164	543	933	10.40	113
1951	926	1,026	427	832	9.64	84
1952	856	771	331	859	10.40	70
1953	857	808	391	968	10.60	84
1954	819	712	214	602	11.10	49
1955	885	848	400	944	11.20	94
1956	825	802	412	1,026		
<u>Southwest Area</u>						
1945		962	212	441	7.85	33
1946		1,009	262	520	8.63	45
1947		1,187	259	437	9.61	50

(continued)

Prepared for the Peanut Commodity Session of the 34th Annual National Agricultural Outlook Conference, Washington, D. C.  
November 26-29, 1956



page 2 - Peanuts: Acreage allotment, acreage harvested, production, yield per acre, price, and value of production, United States and area, Average 1937-41, Annual 1945-56

Picked and threshed						
Year	Acreage allotment 1/	Acreage	Production 2/	Yield per acre	Average price per pound received by farmers 2/	Value of production 3/
	1,000 acres	1,000 acres	1,000 tons	lbs.	Cents	Million dollars
1948	4/ 729	1,078	234	434	10.30	48
1949	835	701	228	651	10.10	46
1950	700	719	233	648	10.30	48
1951	570	575	121	422	9.24	23
1952	528	361	72	400	11.40	16
1953	529	415	151	724	11.00	33
1954	503	391	78	397	11.70	18
1955	545	534	188	704	11.50	43
1956	507	5/ 386	5/ 71	5/ 369		

#### United States

1945		3,160	1,021	646	8.27	169
1946		3,141	1,019	649	9.10	185
1947		3,377	1,091	646	10.10	220
1948	4/ 2,359	3,296	1,168	709	10.50	246
1949	2,629	2,308	932	808	10.40	193
1950	2,200	2,262	1,018	900	10.90	222
1951	1,889	1,432	820	837	10.40	175
1952	1,706	1,443	678	940	10.90	149
1953	1,679	1,515	787	1,039	11.10	176
1954	1,610	1,387	504	727	12.20	125
1955	1,731	1,691	782	925	11.70	189
1956	1,650	5/ 1,509	5/ 746	5/ 988		

- 1/ Acreage allotments 1938-40 were made under the Ag. Adjustment Act of 1938 and were not accompanied by Marketing quotas. After 1940 allotments were made under an amendment to the Ag. Adjustment Act of 1938, by P.L. 27, 77th Congress, April 3, 1941.
- 2/ Farmers stock basis.
- 3/ Computed from picked and threshed production and prices received in each state.
- 4/ Established as shown but terminated before beginning of marketing year.
- 5/ Preliminary.

Oils and Peanut Division, CSS  
Program Analysis Branch  
October 31, 1956



Peanuts: Shelled (raw basis) used in primary products  
and cleaned unshelled by type and use.  
United States 1945-1956

Year :	Shelled used in -					:
beginning:	Peanut:	:	:	:	Cleaned	:
August :	Candy:	butter:	Salted:	Other:	Total:	Unshelled
In 1,000 tons						

### Virginias

1945	1/	4.6	12.9	50.6	1.5	69.6	42.6
1946		5.5	13.8	52.1	1.5	72.9	42.3
1947		5.1	16.8	40.9	.7	63.5	37.4
1948		7.1	17.5	45.0	1.0	70.6	39.5
1949		7.8	12.3	41.7	1.2	63.0	34.2
1950		9.8	9.6	44.2	.4	64.0	33.6
1951		17.9	24.5	50.7	.7	93.8	39.7
1952		19.4	30.1	54.6	1.0	105.1	39.7
1953		19.1	24.9	54.7	1.3	100.0	37.4
1954		18.6	31.5	54.1	1.4	105.6	33.5
1955		18.3	17.8	50.3	1.0	87.4	30.8

### Runners

1945	1/	16.1	70.5	7.1	2.1	95.8
1946		8.7	46.1	4.3	1.3	60.4
1947		4.7	41.5	.7	.5	47.4
1948		1.8	38.3	.3	.6	41.0
1949		4.2	53.1	1.1	1.1	59.5
1950		6.5	69.7	4.0	1.7	81.9
1951		8.2	67.1	1.4	1.6	78.3
1952		14.2	83.5	2.2	1.5	101.4
1953		8.8	76.0	2.4	.8	88.0
1954		9.5	83.1	1.5	1.4	95.5
1955		9.4	76.8	3.6	2.0	92.0

### Spanish

1945	1/	46.3	91.2	28.2	3.7	169.4
1946		45.6	87.6	22.1	3.3	158.6
1947		38.7	78.6	16.2	1.6	135.1
1948		31.9	80.3	15.1	1.8	129.1
1949		36.2	74.1	15.5	2.4	128.2
1950		34.9	66.9	18.2	.7	120.7
1951		34.2	46.3	18.1	1.0	99.6
1952		26.0	29.8	16.9	.8	73.5
1953		31.5	47.8	17.5	1.2	98.0
1954		27.2	35.4	16.0	1.8	80.4
1955		31.7	68.2	19.0	1.7	120.6

(continued)



page 2 - Peanuts: Shelled (raw basis) used in primary products and cleaned unshelled by type and use.  
United States 1945-1956

Year	Shelled used in					Cleaned
beginning:	Peanuts	Other	Total	unshelled		
August	Candy	butter	Salted	Other	Total	unshelled

in 1,000 tons

All type 2/

1945 <u>1/</u>	67.1	174.6	85.9	7.3	334.9	42.6
1946	59.9	147.5	78.5	6.1	292.0	42.3
1947	48.5	136.9	57.8	2.9	246.1	37.4
1948	40.9	136.2	60.3	3.4	240.8	39.5
1949	48.3	139.5	58.4	4.6	250.8	34.2
1950	51.3	146.2	66.3	2.8	266.6	33.6
1951	60.4	137.9	70.3	3.2	271.8	39.7
1952	59.6	143.4	73.7	3.4	280.1	39.7
1953	59.4	148.8	74.6	3.4	286.2	37.4
1954	55.4	150.0	71.6	4.6	281.6	33.5
1955	59.3	162.8	73.2	4.7	300.0	30.8

1/ Peanut butter made by Manufacturer for own use in candy, reported in peanut butter.

2/ Totals from unrounded figures.

Oils and Peanut Division, CSS  
Program Analysis Branch  
October 31, 1956



# Cash farm income from peanuts, United States - 1939-55

Year	Value of sales	Consumers price index (1947-49=100)	Buying power of sales	Acreage picked & threshed	Buying power per harvested acre
	1,000 dollars		1,000 dollars	1,000 acres	Dollars
	(1)	(2)	(3)	(4)	(5)
1940	53,281	60	88,802	2,052	43.28
1941	60,311	63	95,732	1,900	50.39
1942	118,466	70	169,237	3,355	50.44
1943	140,503	74	189,869	3,528	53.82
1944	150,837	75	201,116	3,068	65.55
1945	152,751	77	198,378	3,160	62.78
1946	167,372	83	201,653	3,142	64.18
1947	201,962	96	210,377	3,377	62.30
1948	231,130	103	224,398	3,296	68.08
1949	181,281	102	177,726	2,308	77.00
1950	209,195	103	203,103	2,282	89.00
1951	166,862	111	150,326	1,932	75.85
1952	143,260	114	125,667	1,443	87.09
1953	170,113	114	149,222	1,515	98.50
1954	118,295	115	102,865	1,387	74.16
1955	3/182,696	114	160,260	1,691	94.77

1/ (Col. 1 ÷ col. 2) x 100

2/ Col. 3 ÷ col. 4

3/ Preliminary

Oils and Peanut Division, CSS  
Program Analysis Branch  
October 31, 1956



Peanuts and tree nuts: Consumption per capita, United States - 1945-55

Crop year	Peanuts									
	Total		Peanut butter		Salted		Candy		Cleaned unshelled	
	Pounds		Pounds		Pounds		Pounds		Pounds	Tree Nuts
									$\frac{1}{2}$	Pounds
1945	6.2	2.73	1.34	1.04	.98	.11				1.42
1946	4.9	2.03	1.09	.83	.87	.08				1.46
1947	4.5	2.05	.87	.72	.82	.04				1.45
1948	4.3	1.96	.86	.59	.83	.06				1.66
1949	4.2	1.95	.80	.67	.71	.07				1.59
1950	4.4	2.03	.92	.71	.69	.05				1.59
1951	4.5	1.88	.05	.82	.80	.05				1.62
1952	4.4	1.86	.96	.78	.76	.04				1.58
1953	4.5	1.97	.93	.78	.72	.04				1.58
1954	4.1	1.86	.89	.68	.61	.06				1.41
1955	4.2	1.98	.88	.72	.56	.06				1.50

$\frac{1}{2}$  Kernel basis.

Oils & Peanut Division  
Program Analysis Branch  
October 31, 1956



Peanuts and specified tree nuts: wholesale price per pound, New York, 1932-55

Calendar Year	Peanuts 1/		Cashews 2/		Almonds 3/		Filberts 4/		Pecans 5/		Walnuts 6/		Brazil Nuts 7/	
	Cents		Cents		Cents		Cents		Cents		Cents		Cents	
1932	4.8		14.0		32.1		26.2		38.1		35.1		23.0	
1933	5.1		16.0		32.6		26.8		38.7		40.4		20.3	
1934	8.0		16.8		35.3		30.6		43.0		47.3		21.3	
1935	10.1		17.4		41.0		31.0		55.2		41.1		23.2	
1936	8.8		19.5		47.6		34.5		36.9		43.5		26.0	
1937	9.1		19.2		53.8		31.9		44.8		41.4		34.3	
1938	8.2		14.9		41.5		29.1		39.8		40.9		24.6	
1939	8.7		15.4		35.4		32.4		44.0		40.8		20.2	
1940	8.6		19.0		36.0		25.6		45.2		41.7		17.5	
1941	10.2		25.7		58.0		52.4		39.6		48.6		25.3	
1942	14.8		33.8		67.0		65.1		48.2		53.0		40.2	
1943	18.7		71.2		88.3		82.1		89.9		85.8		81.6	
1944	18.1		63.0		93.1		85.9		87.6		85.8		-	
1945	18.0		60.0		82.2		88.1		84.1		84.0		75.0	
1946	23.0		44.5		78.2		74.5		90.8		83.3		69.9	
1947	24.1		38.9		70.7		74.2		117.6		79.0		58.3	
1948	22.8		32.3		70.1		44.6		71.9		65.7		46.7	
1949	23.3		27.0		50.2		37.5		80.0		89.6		51.4	
1950	31.4		35.6		59.4		53.2		103.1		82.4		56.3	
1951	27.4		41.8		69.3		66.9		93.0		88.4		69.0	
1952	26.2		41.8		64.2		49.4		80.4		86.0		71.2	
1953	27.1		41.8		63.1		54.3		85.0		86.0		67.3	
1954	28.9		34.2		64.7		64.5		76.9		90.3		72.9	
1955	33.0		38.7		86.7		66.9		127.5		109.0		66.2	

(Continued)



Peanuts and specified tree nuts; wholesale price per pound, New York, 1932-55

- 1/ Virginia-type, shelled, extra large.
- 2/ 1932-38, standard pieces; 1939-55, fancy pieces.
- 3/ California non-pareil type: 1932-43, average all sizes; 1944, extra large; 1945, sheller run; 1946-55, average all sizes.
- 4/ 1932-35, 1937 and 1938, Barcelona; 1942-46, Oregon Barcelona, average all sizes; 1936 and 1939-41, Levant, average all sizes; 1947, Levant, large; 1948-55, Levant, extra large.
- 5/ 1932-44, medium; 1945, fancy pieces; 1947-55, fancy halves.
- 6/ 1932-38, imported average all kinds; 1939-43, domestic California; 1944, California pieces; 1945-48, California halves and pieces; 1949-55, light halves.
- 7/ 1932-38, medium whole; 1939-43 and 1946-55, medium whole unblanched; 1944-45, whole.

Oils & Peanut Division  
Program Analysis Branch  
November 6, 1956



Shelled peanuts, sugar and corn syrup; wholesale  
price per pound, 1932 - 55

Year	Peanuts 1/ Cents	Sugar 2/ Cents-	Corn Syrup 3/ Cents
1932	4.3	4.2	2.6
1933	6.0	4.4	3.1
1934	9.0	4.7	3.8
1935	7.0	5.0	3.5
1936	7.6	4.7	4.2
1937	6.5	4.6	3.4
1938	6.2	4.4	3.1
1939	6.8	4.6	3.2
1940	6.7	4.6	3.5
1941	11.7	5.4	3.7
1942	14.6	5.5	3.7
1943	15.8	5.5	3.9
1944	15.0	5.4	4.3
1945	16.1	5.7	4.6
1946	17.2	7.8	5.8
1947	18.3	7.8	7.1
1948	18.7	7.7	6.0
1949	19.2	7.8	6.1
1950	18.9	8.2	7.0
1951	22.8	8.3	7.2
1952	22.0	8.6	7.3
1953	20.8	8.6	7.3
1954	26.8	8.5	7.3
1955	21.4	8.5	7.3

- 1/ Spanish, No. 1, shelled, Chicago  
2/ Granulated, barrels, New York  
3/ Forty-three degrees, crystal, barrels, carlots,  
New York

Oils and Peanut Division, CSS  
Program Analysis Branch  
October 31, 1956



Wholesale prices, peanut butter, American cheese  
eggs and cured ham, 1932-55

Calendar year	Peanut butter : per pound <u>1/</u>	American cheese : per pound <u>2/</u>	Eggs : per dozen	Cured ham : per pound <u>3/</u>
	Cents	Cents	Cents	Cents
1932	8.6	10.0	19.3	13.7
1933	8.6	10.2	17.0	12.9
1934	11.2	11.7	20.5	17.1
1935	15.1	14.3	26.3	23.8
1936	11.4	15.3	25.3	25.2
1937	12.8	15.9	22.9	24.3
1938	11.6	12.6	22.5	22.6
1939	11.0	12.8	18.3	21.0
1940	9.6	14.3	20.3	18.4
1941	11.0	19.4	26.6	25.2
1942	18.4	21.6	33.6	31.7
1943	23.2	23.2	NA	30.0
1944	19.9	23.2	41.0	28.1
1945	20.6	23.2	44.6	30.1
1946	23.8	34.8	44.8	40.3
1947	25.4	36.0	53.6	59.0
1948	27.2	40.7	54.0	59.5
1949	28.0	30.4	52.2	54.4
1950	29.2	30.8	45.0	52.2
1951	29.2	37.5	55.9	56.8
1952	<u>4/</u> 29.6	38.7	49.1	55.0
1953	<u>4/</u> 29.6	35.7	54.6	61.2
1954	<u>4/</u> 30.3	32.3	42.1	61.6
1955	<u>4/</u> 37.1	31.6	45.1	49.1

1/ Fancy grade, case lots, Chicago, Standard grade before 1943,  
first grade November 1949 to date.

2/ American cheddars, Wisconsin Cheese Exchange.

3/ 12 to 14 pound 1932-44; 12 to 16 pound 1945-55

4/ Estimated

NA Not Available

Oils & Peanut Division  
Program Analysis Branch  
October 31, 1956



UNITED STATES DEPARTMENT OF AGRICULTURE  
Foreign Agricultural Service  
Fats and Oils Division

PEANUTS: WORLD PRODUCTION AND U. S. TRADE

World production of peanuts in calendar 1956 is estimated at 12.8 million short tons. This is a record quantity, exceeding the previous record of a year earlier by 2 percent. Moreover, this is one-third greater than the prewar 1935-39 average of 9.6 million tons (see table).

Peanuts are produced in many countries. The leading producers are India and China-Manchuria which together produce nearly three-fifths of the world's output. Of lesser importance, productionwise, are French West Africa, Nigeria and Cameroons, and the United States whose combined crops account for roughly another one-fifth of the world's output. Production in the United States, estimated in 1956 at 744 thousand tons, comprises only 6 percent of the world's total.

World trade in peanuts and peanut oil accounts for about one-fourth of the world's output of peanuts. Today the major exporting countries are Nigeria, French West Africa, and China-Manchuria. With respect to peanuts for edible purposes, however, India and Mexico probably have gone the farthest in developing an export trade.

The predominant share of the world's production of peanuts is used for crushing into oil and cake or meal. In the United States, however, peanuts are grown primarily for edible uses. And since peanuts in this country are a "basic crop", there is a mandatory price-support program. In addition, acreage is limited in an effort to restrict output to domestic market needs. Since the support price is considerably above the world price level for peanuts, which reflects largely their oil and meal value, it is necessary that the domestic market be protected from excessive imports. For this reason under the provisions of Section 22 of the Agricultural Adjustment Act there was established in June 1953, by Presidential Proclamation, an import quota of 1.7 million pounds of peanuts, shelled basis, for each quota year. Since May 1955 the beginning of the quota year has been August 1.

In the 1954-55 and 1956-57 quota years, due to short supplies in this country, the quota was increased and/or suspended by the President for specified periods of time. Following a small crop in 1954, the quota was increased in March 1955 by 51 million pounds, though restricted to peanuts averaging more than 40 kernels to the ounce. Subsequently, in May, the quota was suspended through July 31, 1955.

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Prepared for the Peanut Commodity Session of the 34th ANNUAL NATIONAL AGRICULTURAL OUTLOOK CONFERENCE, Washington, D. C., November 26-29, 1956.



Again, in the current year, the quota was suspended from August 30 through September 10, 1956, to permit unlimited entry of large Virginia-type peanuts in view of the short production of this type in 1955. When the quota was temporarily suspended in 1954-55, there was imposed a fee of 2 cents per pound on imports of shelled peanuts in addition to the regular import duty of 7 cents per pound. Three months ago, when the quota was suspended, a fee of 7 cents per pound was added to the regular duty.

Imports of peanuts into the United States were 1.7 million pounds, shelled basis, in the quota year 1955-56. They totaled 122 million pounds, all shelled, in the previous 12-month period ending July 31, 1955. The peanuts in that year came chiefly from India, Brazil, Mexico, South Africa and the Philippines, in the order named. Imports during the 12-day quota suspension in August-September of this year -- all of which were drawn from stocks in bonded warehouses -- totaled 2.2 million pounds. The regular quota of 1.7 million pounds had been filled previously. The dominant share of imports in the current year originated in Mexico.

United States exports of peanuts during the last quota year, 1955-56, were only 1.5 million pounds, shelled basis; they were 5.6 million pounds in August 1, 1954-July 31, 1955. A total of 164 million pounds, virtually all shelled -- mostly from CCC stocks -- was exported for crushing in 1953-54. Exports of peanut oil have been negligible in recent years.

Peanuts from the 1956 crop in the United States are being supported at a price reflecting a national average minimum of 11.4 cents per pound, farmers stock basis. This is about double prices in British West Africa, a major producing area. Established prices there in the last two years have ranged from 5.4 cents per pound to 5.7 cents, unshelled, basis Dakar. In Bombay, India, in the last two years wholesale prices for peanut kernels have ranged from 3.8 cents per pound to a high of 6.9 cents last August.

Imports of peanut oil into the United States in recent years have been negligible, except in 1955, when over 30 million pounds were imported. Entries of peanut oil are subject to a duty of 4 cents per pound up to 80 million pounds in any one marketing year. Imports in excess of this quantity are subject to an ad valorem fee of 25 percent in addition to the regular import duty.



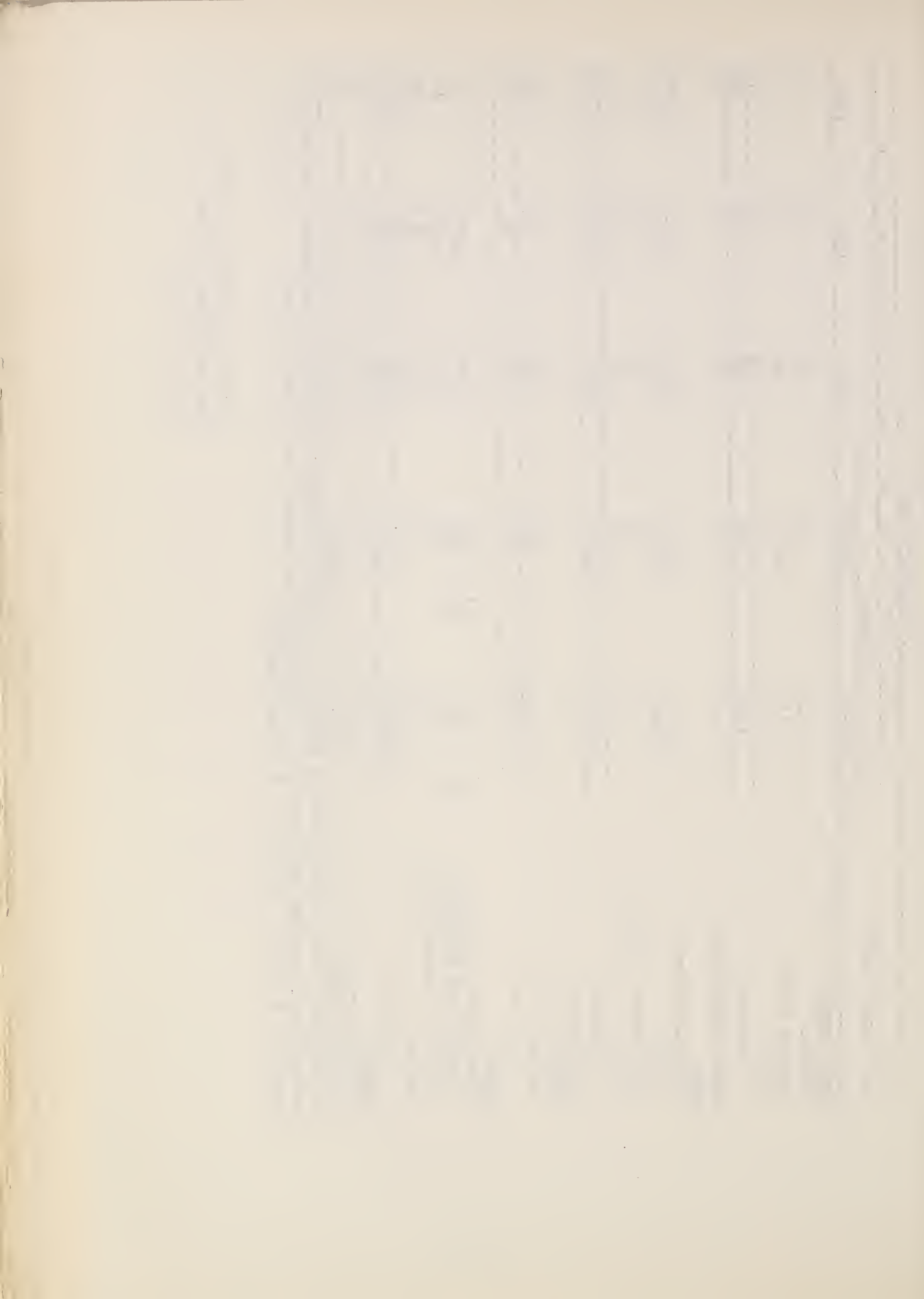
PLANNUTS (in the shell): World production, by major areas and selected countries, averages 1935-39 and 1945-49, annual 1954-56 1/

(1,000 short tons)

Area and country	P e r i o d a n d y e a r				
	1935-39	Average	1945-49	1954	1955
<u>North America</u>					
Mexico	12	37	88	88	83
United States	615	1,046	512	782	744
Other	13	33	58	68	73
Sub-total	640	1,116	658	938	900
<u>Europe and U.S.S.R.</u>					
<u>Asia</u>					
China-Manchuria	43	37	51	45	47
India	2/ 3,034	2,941	2,550	2,620	2,700
Philippine Republic	3,296	3,751	4,623	4,261	4,700
Other	5	6	19	20	---
Sub-total	560	447	852	1,179	950
<u>South America</u>					
Brazil	6,895	7,145	8,044	7,780	8,350
Other	15	85	185	205	143
Sub-total	114	166	214	159	210
<u>Africa</u>					
French West Africa	129	251	399	364	353
Nigeria and Cameroons	3/ 785	4/ 890	800	1,000	950
Union of South Africa	600	617	875	1,100	900
Other	12	40	209	213	225
Sub-total	453	697	1,042	1,054	1,047
<u>Oceania</u>					
	1,850	2,244	2,926	3,367	3,122
	7	17	10	22	16
Grand total	9,564	10,810	12,088	12,516	12,788

1/ Prepared from, or estimated on basis of, official statistics of foreign governments, reports of agricultural attachés and other U.S. representatives abroad, and other information. 2/ Average of less than 5 years. 3/ 1937. 4/ Average 1948-50.

Foreign Agricultural Service  
Fats and Oils Division  
November 15, 1956



UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL MARKETING SERVICE  
CROP REPORTING BOARD

November 1956

REPORTS OF CROP REPORTING BOARD RELATING TO PEANUTS

The Crop Reporting Board issues the following releases containing statistical data on peanuts:

I. Reports on Acreage

- A. Prospective Plantings as of March 1, released about March 17 each year in Crop Production. This release gives the intended acreage of peanuts to be grown alone for all purposes and is based on farmers' intentions as reported to the Crop Reporting Board about March 1. This release should not be considered an estimate of the acreage to be finally planted as the report itself may cause farmers to change their intentions to plant, acreage quotas may be changed for peanuts or other crops, and weather conditions or other causes may interfere with the carrying out of farmers' intentions as expressed on March 1.
- B. Acreage Grown for All Purposes as of July 1 and released about July 10 in Crop Production. This release gives the estimated acreage of peanuts for all purposes grown alone, interplanted with other crops, and the equivalent solid acres. This report is based on acreage reported planted by farmers on surveys made in late June, and on final acreage quotas. This estimate is subject to revision in the Annual Summary published about December 20 each year.
- C. Acreage for Picking and Threshing released about August 10 in Crop Production. This report gives the estimated acreage of peanuts which farmers will pick and thresh for the production of nuts. These estimates are based on the usual relationship between acres grown alone for all purposes and acres picked and threshed taking into account the growing conditions of the crop on August 1, and final acreage quotas for peanuts for picking and threshing.
- D. Acreage Harvested released in Crop Production, Annual Summary about December 20 each year. This release gives the estimated acreage grown alone for all purposes, acreage interplanted, equivalent solid acres and acreage picked and threshed. This report is based largely on reports from a sample of farmers, secured through the rural carrier surveys, and the special surveys of peanut growers.

II. Forecasts of Yield and Production

These are made the first of each month, August through November, and published in the monthly issue of Crop Production. The estimated

Prepared as background material for 34th Annual Outlook Conference.

Washington, D. C., November 1956



yields are based on reports from farmers giving the condition of the growing crop and farmers' estimates of probable yields. The production estimate is derived by multiplying estimated yields by States by the acreage for picking and threshing, as published in the August issue of Crop Production. A year end estimate of acreage, yield and production is published in the December Annual Summary of Crop Production. The yield estimates are based on final yield reports from farmers. The production estimate is derived by applying the estimated yield by States to revised acreage for picking and threshing published in this same report, and also on receipts of farmers' stock peanuts at shellers, and inspections of peanuts.

### III. Prices Received by Farmers:

- A. Mid-month Average Prices: Mid-month average prices received by farmers for peanuts are published each month in Agricultural Prices, by States, by areas, and for the United States.
- B. Season Average Prices: A preliminary estimate of the season average price received by farmers for peanuts by States is published in December following harvest in the report entitled Season Average Prices and Value of Production. A revised estimate is published the following May in Farm Production, Farm Disposition and Value, and the final estimate is published the following December.

Estimates of mid-month and season average prices are based primarily on voluntary reports from buyers and growers of peanuts with supplemental data from other trade sources and peanut Market News reports.

### IV. Peanut Stocks and Processing Reports:

These reports are made monthly and are published about the 24th of each month in Peanut Stocks and Processing. This release gives complete data on stocks of peanuts held by shellers, cooperative associations, processors and warehouses and the quantities of farmers' stock peanuts milled, the production of roasting stock, shelled edibles, shelled oil stock, peanut oil and peanut meal. The quantity of raw peanuts used by processors in making candy, salted peanuts, peanut products and other products is also shown. These reports are based on required reports from all shellers, and warehouses and processors using more than 30,000 pounds of peanuts annually. A seasonal report bringing together data for the last and previous seasons is published about November of each year.

### V. Revisions:

Revised estimates of acreage, yield, and production are published in Crop Production for July and December following the year of harvest. These revisions are based on final tabulations of yields from operators of picking and threshing machines, final tabulations of receipts of farmers' stock by shellers, final inspection data and ASC acreage measurement data for peanuts picked and threshed.

For a detailed description of the methods used by the Crop Reporting Board in developing the estimates see The Agricultural Estimating and Reporting Services of the United States Department of Agriculture, Miscellaneous Publication No. 703.



UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL MARKETING SERVICE  
Fruit and Vegetable Division

MARKET NEWS SERVICE ON PEANUTS 1/

The Market News Branch of the Fruit and Vegetable Division, AMS, has issued since 1919 weekly reports on prices and market conditions in the major shipping areas and larger terminal markets for the benefit of the peanut industry. The reports are issued from Washington each Wednesday, based on information collected from shellers, millers, buyers, brokers and other industry contacts.

Market and price information on peanuts, as is the case with other commodities, is collected by telephone, wire or personal contact by trained market reporters from firms and individuals concerned with the marketing of the crop. In the southeast much of the information is collected by the Atlanta market reporter. Southwestern information is largely collected by the Dallas reporter. Their contacts include not only local shellers and brokers but shellers and dealers scattered over the area. The Virginia-Carolina information is collected almost entirely from the Washington, D. C. office in a similar manner.

The information from shipping areas includes a current report of growing and harvesting conditions during the growing and harvesting seasons; current movement both of farmers' stock to mills and of finished goods from the mills; demand, market tone and prices, f.o.b. mills, by variety or type and grade.

Reports from 17 major terminal markets are furnished Washington by local market reporters. These terminal reports include receipts by rail and truck broken down by State of origin and whether unshelled or shelled, demand, market tone and current prices. In some markets local prices represent sales in wholesale lots to roasters, peanut butter manufacturers, candy manufacturers, salters and other users. In other markets, having limited wholesale outlets, price reports represent brokers sales on the local market. These are in effect f.o.b. shipping point prices, plus freight to the market.

In addition to information on conditions and prices outlined above, the bulletins include excerpts from Crop Estimates and Peanut Stocks and Processing Reports as issued by the Division of Crop Estimates, farmers' stock peanuts inspected by the Federal-State Inspection Service, peanut program operations as reported by the Oils and Peanut Division, CSS, monthly reports on exports and imports as reported by the Commerce Department and various announcements from Government program operating agencies. An annual summary of Average Monthly Prices of Farmers' Stock and Cleaned and Shelled Peanuts in the major shipping

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1/ Prepared for the Peanut Commodity Session of the 34th Annual National Agricultural Outlook Conference, Washington, D. C., November 26-29, 1956.



areas is released early each year. A summary of annual imports and exports is also released. Brief supplementary information is included in the weekly reports on peanut meal and peanut oil.

Weekly Peanut Reports are mailed free of charge to all interested parties. Requests should be addressed to Market News Branch, Fruit and Vegetable Division, AMS, USDA, Washington 25, D. C. In addition to the mailed reports a special report is released over the national market news teletype system for use by interested newspapers and radio stations in the producing areas.

#### SHELLED PEANUT STANDARDS REVISED 1/

The U. S. Standards for shelled peanuts were revised, effective July 31, 1956. The revision includes all three sets of standards, namely those for Runner Type, Spanish Type and Virginia Type Peanuts. The major changes made in the existing standards are as follows:

1. Both visible and concealed damage are now scored in all types of peanuts.
2. Established separate tolerances for damage and minor defects, to distinguish between factors affecting edibility and those primarily affecting appearance.
3. Reduced the tolerance for damage in U. S. No. 1 Runners from 2.5 to 1.5 percent.
4. Eliminated the special tolerances for worm cuts from all grades of Virginia type peanuts, and classified worm cuts as damage.
5. Eliminated the special tolerances for discolored skins in Spanish and Virginia standards, and classified discoloration as a minor defect.
6. Raised the minimum screen size for U. S. No. 1 Runners from 15/64 x 3/4 to 16/64 x 3/4 inch.
7. Eliminated the term "small shriveled" from all standards, and limited the amount of small kernels which pass through a prescribed screen.

Grower, sheller and end-user groups and representatives were helpful in developing improved standards in the interest of encouraging better marketing practices. General agreement was indicated on many features of the changes, but divergent views were expressed on several factors, particularly the grade tolerances for damage. Studies will be continued toward the development and adoption of uniform grade standards for all types of shelled peanuts.

The revised standards require a quality of peanuts which is in general better than that permitted in the previously existing standards. If conscientiously used by the industry, they should result in greater consumption of peanuts because of the better quality and increased consumer demand.



Marketing Research Division, AMS

Marketing Significance of Changes in Farmers Stock Peanuts in Storage.

The experimental phases of this study of marketing significance of changes in farmers stock peanuts in storage are being conducted at four sites representative of the different peanut types and climatic conditions in the principal peanut producing areas. The major experiment is at Headland, Alabama, using Runner type peanuts, with smaller-scale experiments at Tifton, Georgia, on S. E. Spanish; Stephenville, Texas, on S. W. Spanish; and Holland, Virginia, on Virginia type peanuts. At the four sites there are 47 bins of various types of construction, ranging in capacity from 2 to 30 tons.

The following are some tentative conclusions regarding quality and quantity changes of peanuts in storage based on the data developed to date. Incomplete analysis indicates that it does not pay because of deterioration to store farmers stock peanuts in ordinary storage warehouses for more than 6 months after harvesting. Quantity of sound mature kernels tends to decrease with length of storage, the decrease being more evident during the warm summer months. The amount of damaged kernels also tends to increase with length of storage. Without frequent fumigation, insect infestation can develop to serious proportions almost over night during the warm summer months. At Holland, Virginia, samples drawn during the latter part of May 1955 showed no indication of insect damage. On June 7, 1955, because of a little almond moth activity one bin was fumigated, however, on the other three bins at the site the entomologist thought no fumigation was necessary. During the first week of July when the peanuts were offered for sale by the CCC they were examined by prospective buyers who reported extensive moth and larva activity throughout the three bins. In those bins where insect infestation was not controlled, total damage increased as much as 8 percent from the last of May to the first part of July on these peanuts.

Sound mature kernels: The 1952, 1953, and 1955 crops showed in general a fairly consistent maintenance of sound mature kernels during the storage period, but a decrease in the composite sample drawn as the peanuts were moved out of the bins. The percentage of sound mature kernels for the 1954 crop showed more fluctuations than for the previous years with a small decrease in the percentage of sound mature kernels during storage prior to the hot summer months, but with a decrease in the composite sample drawn during the hot summer months and as the peanuts were moved out of the bins. At Holland, Virginia, peanuts stored became heavily infested with insects and the percentage of sound mature kernels decreased as much as 10 percent in some lots from the last of May to mid-July. The following figures give a summary of changes in quality on a very broad basis for the 1955 crop.

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Prepared for the Peanut Commodity Session of the 34th Annual National Agricultural Outlook Conference, Washington, D.C., November 26-29, 1956.



Sound mature kernels - 1955 crop

Site	: At purchase	: First sample	: Last sample	: Composite
	:	: from bins	: from bins	: sample when
	:	:	:	: loaded out
Alabama.....:	70.5	70.5	68.8	67.6
Georgia.....:	71.5	72.1	70.8	70.8
Texas.....:	65.5	63.3	64.2	62.1
Virginia.....:	65.8	65.2	63.5	63.5
:	:	:	:	:

Damaged kernels: There is a slight tendency toward increasing damage as the period of storage increased. During each of the past four storage periods, the average was less than one percent for the season; except in Virginia where the 1954 crop peanuts stored became heavily infested with insects. The following table shows the results for the most recent year.

Damaged kernels - 1955 crop

Site	: At purchase	: First sample	: Last sample	: Composite
	:	: from bins	: from bins	: sample when
	:	:	:	: loaded out
Alabama.....:	0.8	0.8	1.4	0.7
Georgia.....:	2.5	2.2	2.8	2.8
Texas.....:	1.0	1.1	1.3	1.2
Virginia.....:	0	1.3	1.2	1.2
:	:	:	:	:

Other kernels: The percentage of other kernels including shrivels for 1954 and 1955 crops showed more fluctuations than for the previous years. The large increase in Alabama from 1.9 to 6.2 percent appeared only between the last sample drawn from the bin and the outgrade sample which was probably due in part to multiple sampling and in part to sampling error and does not give the total picture of the data throughout the periods of storage.

Other kernels including shrivels - 1955 crop

Site	: At purchase	: First sample	: Last sample	: Composite
	:	: from bins	: from bins	: sample when
	:	:	:	: loaded out
Alabama.....:	1.9	1.9	5.0	6.2
Georgia.....:	4.4	4.0	4.5	4.5
Texas.....:	6.7	7.2	7.2	7.5
Virginia.....:	5.3	5.5	6.3	6.3
:	:	:	:	:



Foreign material: While there is a wide variation in foreign material between samples, no significant trend has been noted. Of more significance than change in foreign material is the apparent effect of increased foreign material upon insect infestation and upon accuracy in sampling. The higher the foreign material content, the greater the insect infestation and the wider the variation in samples.

#### Foreign material - 1955 crop

Site	: At purchase	: First sample : from bins	: Last sample : from bins	: Composite : sample when : loaded out
Alabama.....:	4.0	4.0	3.2	2.2
Georgia.....:	6.4	6.4	5.8	5.8
Texas.....:	6.4	7.9	10.2	6.8
Virginia.....:	3.5	6.8	9.4	9.4

Moisture: A definite continuous downward trend in initial moisture content was noted and all lots of peanuts placed in storage dried down to safe moisture levels in a relatively short period of time (1 to 3 weeks). Comparison of lots placed in storage at high moisture levels with those of lower levels does not indicate any appreciable effect of initial moisture upon other grade factors. This would indicate that the maximum safe moisture content for peanuts in storage has not been reached in these experiments. Apparently storage houses with adequate ventilation can be used to store peanuts up to 14 percent initial moisture without appreciable damage due to the high moisture except in germination.

#### Moisture (Grade) - 1955 crop

Site	: At purchase	: First sample : from bins	: Last sample : from bins	: Composite : sample when : loaded out
Alabama.....:	10.7	10.7	5.1	6.2
Georgia.....:	8.3	6.3	5.7	5.7
Texas.....:	7.4	4.9	3.9	3.8
Virginia.....:	11.0	9.8	7.2	7.2

#### Sampling and Grading Peanuts

Through the cooperation of the Federal-State Inspection Service and AMS, approximately 236 tons of 1955 crop peanuts were run through the CCC owned sampling and precleaning unit at Bainbridge, Georgia, to compare results of probe and automatic sampling of uncleaned and cleaned peanuts.



No clearly significant differences were revealed by the data between the results from probed sampling and results from automatically taken samples in total foreign material in uncleaned peanuts or in damaged kernels and sound mature kernels in either uncleaned or cleaned peanuts. Estimated loan value based on the results of probed samples from both uncleaned and cleaned peanuts did not differ significantly from comparable estimates based on automatically taken samples. This research indicated the need for further experiments into practical means of automatic sampling and use of a larger sample. Such research is being initiated in cooperation with N. C. State Agricultural Experiment Station.



## An Analysis of the Peanut Shelling Industry 1950-51 Through 1952-53

This study of the peanut shelling industry was undertaken to analyze practices and methods employed by the industry. The industry is made up of plants designed to process farmers' stock peanuts for sale to dealers, manufacturers, and industrial users. Operations consist of storing, cleaning, and shelling of farmers' stock peanuts, and the grading, bagging, selling, and distributing the peanuts, either as roasting stock or shelled peanuts.

The major part of a peanut crop is sold by producers during September-December and nearly all sales are direct to shellers. Shellers receive about 90 percent of their peanuts during September-December. Processing is spread over a much greater part of the year, although about 50 percent of all shelling is done by the end of December. Shelling plants need storage capacity sufficient to house the other 50 percent of the peanuts processed during the year.

Once the hulls are removed from peanuts, the shelled nuts are more susceptible to insect infestation and other damage, and require better storage than that usually available for farmers' stock peanuts. Therefore, the shelled stock is moved to the manufacturer as soon as possible, usually within 3 to 4 weeks after shelling.

Peanut shelling plant activities varied little from year to year during the 3 years studied, either in number of months of operation or in rate of farmers' stock peanut receipts. Weather during harvest is the principal factor that varies the flow of peanuts to shelling plants. Compared with 1950-51, the number of shelling plants reporting operations for 1951-52 was about 2 percent greater and for 1952-53 was about 10 percent less. A similar comparison for volume of farmers' stock peanuts cleaned and shelled shows 1951-52 with about 33 percent less and 1952-53 with about 29 percent less. This drop in volume corresponded with a drop in production of farmers' stock peanuts which, in turn, resulted primarily from unfavorable growing conditions in the Southeast and Southwest.

The yield of kernels in the shelling operation is an important economic factor, and obtaining a maximum yield of the classes of peanuts for which the prices are greatest may well determine a sheller's profit or loss. The average kernel yield which may be expected in normal years from the different types of peanuts, based on Agricultural Experiment Station results, is about 77 percent for Spanish, 73 percent for Runners, and 71 percent for the Virginia types. This indicates an average milling loss of about 2 percent. For the peanut plants studied the total kernel yield by weight from the 3 crops, 1950-52, was approximately 74 percent, 72 percent, and 70 percent, respectively. Plants which crushed more peanuts for oil than they shelled were not included in this computation.

Average kernel yields for the 3 years in the Virginia-North Carolina area were 69 percent, 70 percent, and 72 percent, respectively. Due to



unfavorable seasons in 1952 and 1953, corresponding yields in the Southeast area were 75 percent, 51 percent, and 69 percent. For the Southwest area yields were 75 percent, 71 percent, and 73 percent.

Nearly all peanuts are processed in the area where they are produced. For the 3 crops studied in the Virginia-North Carolina area, more than 99 percent processed were Virginia varieties; in the Southeast area only Spanish and Runner varieties were processed; and in the Southwest more than 99 percent were Spanish varieties.

Although variations in kernel yield are of great importance, under uniform conditions they usually are not large. Practices employed at the shelling plants are no less important. Poor equipment or unwise plant management practices may lead to greatly decreased yield and quality, increased cost, and uneconomical operation.

The detailed results are available in MRR No. 134.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service  
Marketing Research Division  
Biological Sciences Branch  
Washington, D. C.

Protection of Farmers' Stock Peanuts  
from Insect Attack<sup>1/</sup>

Progress Report

Protective dusts

In further tests to develop protective dusts for farmers' stock peanuts, lindane and methoxychlor formulations gave excellent protection over a 21 month storage period. Insect-damaged kernels in the lindane treated peanuts totalled 2.67 percent as compared with 13.56 percent in the untreated checks after 21 months. Methoxychlor treated lots had 4.27 percent of the kernels damaged.

Protective dusts which prevented insect injury to stored peanuts over a 12-month period continued their effectiveness through two more seasons for a total of 33 months. The effective treatments included ryania dusts and a synergized pyrethrum dust. Prospects do not look good, however, for establishing a tolerance under the Miller Bill for ryania protective dusts, because an analytical method is not available to detect its presence at low levels of deposit, and toxicological data are not complete enough to arrive at a safe tolerance level. The level of pyrethrins present in the synergized pyrethrum dust was high and would be prohibitive from the cost standpoint. Further studies to determine the lowest effective rate will be made.

Relation of mechanical damage to injury

Long-term storage tests at Tifton, Georgia, showed an increase in insect damage as peanuts were held from 12 months to 30 months. Previous studies had demonstrated that insect damage in the first 12 months' storage was closely associated with injured or split pods. After 30 months' storage more pods had split and become infested, and in addition many sound pods had been penetrated by the insects. Insect damage was much less, however, in lots composed originally of all sound pods, as compared to lots in which half of the pods originally had been damaged or split.

<sup>1/</sup> Prepared for the Peanut Commodity Session of the 34th Annual National Agricultural Outlook Conference, Washington, D. C., November 26-29, 1956.



## Field infestation

Very few stored-product insects that cause extensive damage to farmers' stock peanuts in storage were found in 3 fields as the peanuts were dug, windrowed, and combine harvested during the 1955 harvest season. Enough Indian-meal moths and flour beetles were present to start infestation in stored stocks but these were so few that the infestations would probably not be evident until late spring. These detailed studies were begun to establish the source of fall infestation in recently stored peanuts, which in the opinion of warehousemen were usually first observed in combine harvested peanuts. Ten 5-foot row samples were observed in each field, and 3 one-gallon samples of peanuts taken after 3 days drying, from the top, center and under side of the windrow. The loose shelled kernels were also collected from beneath the windrow. Additional one-gallon samples were taken from the windrow in the same manner in the 8th day just before combining, and from the combine. The moisture content of the peanuts in the samples collected from the windrows and the combine as noted above was found to range from 6.8 to 8.3 percent on the outside of the windrow, from 14.8 to 22.6 percent from the under side, and from 8.3 to 14.2 percent from the center. The peanuts after mixing on the combine ranged from 11 to 16.2 percent. These records were made to see if there was a correlation between insect abundance and moisture content. Because of the low level of insect populations found, no deduction could be made, but these records will be valuable in future studies.

## Warehouse infestations

Studies were made during the fall and winter of 1955-56 to find methods to suppress heavy insect populations in warehouses by use of pyrethrum aerosols and surface sprays. Five applications made between November and February did not eliminate the insect populations but apparently held them in check, since they did not spread to bins with light initial infestation. The severely infested bins were emptied in the early spring and sold. Potential heavy damage was prevented and the peanuts showed less than 0.5 percent damaged kernels when sold. In the peanuts left in storage the population of moths developed rapidly and damage was severe before the peanuts were finally sold late in the spring. The warehouse used as a check showed a decreasing population of moths as the spring advanced. This was attributed to the increasing numbers of birds observed in the warehouse, which may have picked off the mature larvae crawling around in search of a place to pupate. The beetle populations were quite extensive however.



### Insect mortality studies

Laboratory tests on the standard 3 to 1 mixture of ethylene dichloride and carbon tetrachloride recirculated through bulk peanuts, at dosage rates of 8 and 10 gallons gave a perfect kill of insects. Mortality was 94 percent with a 4 gallon rate, and 99 percent with a 6 gallon rate. No off flavor was noted when the peanuts were roasted. In practical scale tests 5 and 6 gallon rates applied to the surface of 3000 cubic foot steel bins full of seed peanuts, and distributed by gravity settling, killed all insects on the basis of probe samples, except a few moth larvae on the surface of the bin receiving the 5 gallon rate. A 1 percent lindane dust applied to the surface prevented any further moth development and no infestation appeared for the next 60 days. The viability was not affected as shown by germination tests.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service  
Market Development Branch

MARKET DEVELOPMENT RESEARCH FOR PEANUT PRODUCTS<sup>1/</sup>

To assist the peanut industry in increasing consumption and demand for its products, the Agricultural Marketing Service recently undertook two research projects concerning the merchandising and consumer use of peanuts and peanut products. This is a preliminary report.

The studies concern (1) the effect of shelf location on sales of peanut butter in retail stores and (2) household consumer use of, preferences for, and attitudes toward peanuts and peanut products, based on a representative sample of homemakers throughout the United States.

Shelf location for peanut butter

The objective of the peanut butter retail merchandising experiment, which was conducted in St. Louis, Missouri, over a 12-week period from January 16 through April 7, 1956, was to determine the effect that location of peanut butter in the retail store might have on total sales of the product. Two alternative locations were selected in addition to the usual location for peanut butter alongside jams and jellies. The additional locations were selected on the basis of two hypotheses: (1) That to increase sales, peanut butter should be displayed with a product priced more competitively, such as cheese spreads, and (2) that if peanut butter were an impulse item, sales might be increased by displaying the product with a complementary item such as crackers.

The experimental displays were as follows: A, Peanut butter displayed only with jams and jellies (the usual procedure in all stores in the experiment); B, peanut butter displayed with jams and jellies, with an additional display located with cheese spreads; and, C, peanut butter displayed with jams and jellies, with an additional display located with crackers. The additional displays did not add to the over-all space devoted to peanut butter, but were merely relocations of a part of the normal display space allotted to the product in each store. The size of the additional displays was approximately 20 percent of the total space devoted to peanut butter and was comprised of one brand which was the store's leading seller.

The normal or usual display of peanut butter consisted of around 25 rows; the supplementary displays varied among stores from 5 rows to 8 rows of shelf facings, with a corresponding reduction being made in the size of the usual display when methods B and C were used.

The experiment was carried out under controlled conditions in 12 retail supermarkets using a rotational type design which allowed each of three methods to be tested in every store for a period of 4 weeks, over a

<sup>1/</sup> Prepared for the Peanut Commodity Session of the 34th Annual National Agricultural Outlook Conference, Washington, D. C., November 26-29, 1956.



total time of 12 weeks. During each 4-week period, 4 stores employed method A; 4 stores, method B; and 4 stores, method C. At the end of each 4-week period, the methods were rotated among the stores so that each store tested a different method in each time period.

The data indicated that total sales of peanut butter were not increased by displaying the product with either cheese spreads or with crackers. The usual practice of displaying peanut butter with jams and jellies resulted in the largest quantity sold. The method which contained a display with crackers resulted in slightly smaller sales than the standard method. The method which displayed peanut butter with cheese spreads resulted in considerably smaller sales than either of the other two methods.

Preliminary analysis of variance indicates that the display of peanut butter with cheese spreads actually depressed the sales of peanut butter to a significant degree. This might be due to a certain amount of brand loyalty on the part of consumers, since the additional displays consisted of that brand of peanut butter which was the leading seller moved from its usual location. One might speculate that consumers not finding the brand in its usual place may have refrained temporarily from purchasing peanut butter or may have purchased smaller units of another brand.

It does not appear that peanut butter can be classified as an impulse item. If it were, one might expect results to indicate a higher volume of movement when peanut butter was placed in additional locations within the retail store where customers not looking for the product would have increased opportunity for seeing it on display.

#### Consumer preference survey

Turning to the national consumer use and preference survey, field work was conducted in November and December 1955. Over 3,000 interviews were obtained from a scientific cross-section sample of households drawn to represent all homemakers in the United States.

Some preliminary tabulations on the use of peanut butter and salted and roasted peanuts are now available; the following statements are based on such tabulations and represent a partial report. The full report, when completed, will give much more detail and will cover more topics.

Peanut butter, as peanut shellers and manufacturers well know, represents about half the total market for edible peanut products. The survey results showed that peanut butter is a widely used food item. It was found that peanut butter had been used in over 8 in 10 homes in the United States within the 12-month period preceding the interviews.

Some significant variations were reported within this total use pattern. Peanut butter was used in more than 9 out of 10 homes with children but was used in about 7 out of 10 of the homes having no children.



Use of peanut butter was found to be somewhat more prevalent in rural areas and in small city areas than in large metropolitan areas.

Upper-income (\$5,000 or over) and middle-income (\$3,000 to \$5,000) families were somewhat more likely to have used peanut butter than lower-income (under \$3,000) families. Looking into educational level, which is closely related to income, it was found that a higher percentage of homemakers with some college or high school education used peanut butter than homemakers whose education was limited to grammar school.

Among all users, it was found that almost 7 in 10 used peanut butter at least once every two weeks. Over 2 in 10 were occasional users; and the remainder--less than 1 in 10--used peanut butter rather infrequently (less than 4 times a year). In general, families with children, families in the higher-income brackets, and families with higher educational backgrounds tended to be the most frequent users of peanut butter.

Almost all users of peanut butter reported its use as a spread. Nearly half of the users reported additional use in baking and in other food preparation. Cookies represented the most significant home baking use of peanut butter. Other significant uses in cooking were in candy and in cake frostings or fillings.

Seasonally, the majority of homemakers reported use of peanut butter to be about the same throughout the year.

Reasons for liking to use peanut butter in the ways used were stated predominantly in terms of taste and flavor, and to a lesser extent in terms of convenience.

Among those families where peanut butter is used only occasionally, the reason most frequently reported for not eating peanut butter more often was that some member of the family did not like it; also, it was stated that its use was limited mainly as a spread, or that there was a tendency to overeat it when the product was around.

The 2 out of 10 families who did not use peanut butter were queried as to their reasons for non-use. The principal reasons for non-use were stated to be an unpleasant taste or flavor, the fact that peanut butter sticks to the teeth or roof of mouth, and, again, that some members of the family did not like it. Others reported that they were non-users because of doctors' recommendations in prescribed diets, because of difficulty in digesting peanut butter, or because of the absence of children in the household.

Specific attention was given to opinions about the healthfulness of peanut butter. Among users, about 8 in 10 considered the product healthful. Less than 1 in 10 had some reservation as to the healthfulness of peanut butter.



Reasons for considering peanut butter healthful were: (1) Its good food value, (2) its protein content, (3) its vitamin content, and (4) its supply of needed oil for the system.

Foods used in place of peanut butter in the opinion of users ranked as follows: 1/

- (1) Jellies, jams, and preserves (4 out of 10 users).
- (2) No substitutes (3 out of 10).
- (3) Cheese (2 out of 10).
- (4) Butter (1 out of 10).
- (5) Meat spreads or meat (1 out of 10).

Other items were mentioned by less than 1 in 10 users. In general, the items considered to be substitutes were so considered because of their spreadability and also because they are nourishing or have good food value.

Use of salted peanuts was found in 7 out of 10 of the homes throughout the United States. Here again, somewhat greater incidence of use was found in rural areas than in large metropolitan areas, in high-income families than in low-income families, and in families where the homemaker had high school or college training than in families of grammar school background.

The presence of children also was a factor associated with high incidence of use of salted peanuts. About 8 in 10 of the homemakers interviewed in households with children reported use of salted peanuts in the home compared with 6 in 10 in households where no children were present. Age of homemaker, which is related to the presence of children, was another factor, with use of salted peanuts falling off significantly in those households where the homemaker was 50 years of age or older.

Use of peanuts roasted in the shell was found in 4 in 10 of the households in the United States. Rural families had a somewhat higher incidence of use. But differences of income and educational level do not appear to be directly related to the percentage of families using roasted peanuts; for both of these variables, use was somewhat higher for the middle group. The presence of children and age of homemaker affected the use of roasted peanuts in the same manner as salted peanuts.

Additional facts to be reported include reasons for infrequent use and nonuse of salted and roasted peanuts, ways in which these products are used, consumer attitudes toward different types of peanut butter and toward containers of different constructions and sizes, as well as preferences for peanuts and other nuts in candy, by kinds of nuts, and satisfaction with the quantity of nuts in candy.

1/ These percentages add to more than 100 because some respondents gave more than one answer.



It is hoped that when the complete report is available, several guides will be found for instituting improvements in merchandising practices as well as in advertising and promotional programs, with the object of increasing the demand for and the sales of peanuts and peanut products.

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United States Department of Agriculture  
Agricultural Research Service  
Production Economics Research Branch

POSSIBILITIES FOR HIGHER YIELDS OF PEANUTS

The yield of peanuts in the United States has shown a marked increase since 1948. The 1949-56 average yield of 896 pounds per acre is about 35 percent above the 1942-48 average (See table.) Prior to 1948 there was no evidence of an upward trend in the national average yield (See figure.) During and immediately after World War II the acreage of peanuts was expanded considerably but the average yield was about 100 pounds per acre below the 1937-41 average. This reduction in national average yield probably was due to the greater expansion in acreage of peanuts in the low-yielding areas, and particularly in the southwest.

In the Virginia-Carolina area, there was a moderate upward trend in per acre yields of peanuts from 1934 to 1950. Yields have been much higher since 1950. The Southeast also has had an upward trend in yields but at a slower rate than the Virginia-Carolina area. Since 1948, yields in the Southwest have averaged higher than in the period from 1929 to 1948 but they are not as high as they were during the 1920's.

The rise in average yield took place soon after allotments were reestablished in 1948. The smaller acreage of peanuts permits farmers to select better land for production. However, it would seem that factors other than those associated with the adoption of allotments are responsible for most of the increase in yield. The yield of peanuts since 1948 has been much higher than from 1938 to 1942, when allotments were in effect.

The increase in yields is due to general adoption of improved production and harvesting practices and a shift from the Spanish to the Runner type of peanuts in the Southeast. Agronomists estimate that with a further adoption of improved practices in the next few years, yields can be increased in each of the major producing areas. In the Southeast, the increase is estimated at from 30 to 50 percent of the 1951-55 average. Yields in the Virginia-Carolina area could be increased by 20 to 30 percent. For the country as a whole the increase would be from 30 to 40 percent.

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Peanuts: Acreage harvested, proportion of United States production, and yield per acre by major region and the United States, 1937-41, 1942-48, 1949-56

Period	Acreage picked and threshed	Proportion of United States acreage	Average yield per acre
	<u>1,000 acres</u>	<u>Percent</u>	<u>Pounds</u>
		<u>Southeast area</u>	
1937-41	1,047	57.6	705
1942-48	1,754	53.5	668
1949-56	920	52.3	868
		<u>Virginia-Carolina area</u>	
1937-41	392	21.6	1,216
1942-48	459	14.0	1,112
1949-56	331	18.8	1,471
		<u>Southwest area</u>	
1937-41	379	20.8	469
1942-48	1,061	32.4	443
1949-56	510	29.9	539
		<u>United States</u>	
1937-41	1,818	100.0	767
1942-48	3,275	100.0	657
1949-56	1,762	100.0	896

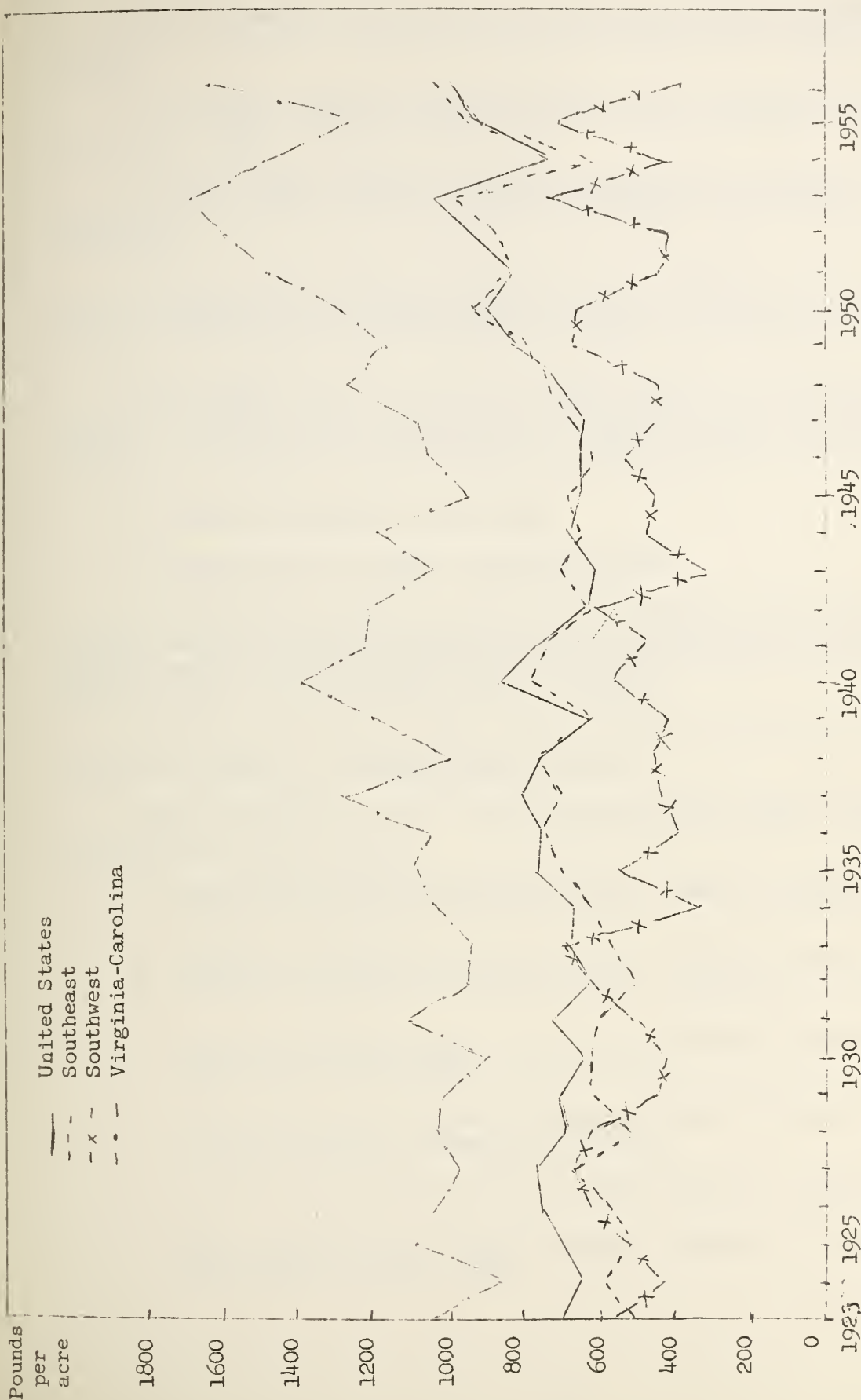
The rate at which these higher yields are attained will depend to a large extent upon how fast the improved practices are adopted. The price of peanuts also is important in providing an incentive for adoption of improved practices.

The production and harvesting practices that have resulted in higher yields and are expected to bring further increases in yields may be summarized as follows:

(1) Use of light, well-drained soils. The smaller acreage of peanuts grown under allotments gives farmers an opportunity to be more selective as to the soil used for peanuts.



Yields of peanuts, United States and major producing areas, 1923-56



Yields of peanuts, United States and major producing areas, 1923-56



(2) Early preparation of the seed bed permits soil plowed under to decompose.. Also the cultivation before planting helps to kill grass and weeds.

(3) At least a 3-year rotation to help control diseases and to incorporate organic matter in the soil.

(4) Use of higher yielding varieties and types of peanuts. The shift from Spanish to Runner type has contributed to higher yields in the Southeast.

(5) Use of good quality seed and more seed planted per acre. This means a reduction in the space between the rows. In some instances the distance between the rows has been reduced from 30-36 inches to 24 inches.

(6) Fertilization. The rate of fertilization has approached the recommended level on many farms but further improvement is possible on others. The placement of fertilizer at a depth of approximately 8 to 10 inches shows promise of better utilization of fertilizer in the Southeast.

(7) Liming according to soil test.

(8) Application of gypsum at blooming time.

(9) Controlling disease. This includes treating seed before planting and following recommended dusting applications for insects and disease control, destruction of litter, and care in cultivation not to injure plants or throw excessive dirt on plants.

(10) Harvesting when largest number of nuts are mature and before stems are weakened. Avoiding injury to nuts.

Further discussion of the above practices may be found in the following State publication.

1. Florida Agriculture Extension Service "Peanut Production Guide," Circular 145, 1956
2. Georgia Agricultural Extension Service "Growing Peanuts," Circular 309, 1955
3. \_\_\_\_\_ "Peanut Production," mimeograph sheets, 1954
4. North Carolina Agricultural Extension Service "Peanut Production in North Carolina," Circular 257, 1942
5. Oklahoma Agricultural Extension Service "Peanut," Circular 410
6. Texas Agricultural Extension Service, "Handbook of Peanut Production," MS, 883, 1950



7. Virginia Agricultural Extension Service, "Larger Yields and Better Quality Peanuts," Circular 413, 1956
8. \_\_\_\_\_ and Virginia Agricultural Experiment Station,  
"The Southern Corn Rootworm in Peanuts," Circular 586, 1954

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Sanitary Handling of Peanuts in Relation to  
the Federal Food, Drug, and Cosmetic Act

U. S. Food and Drug Administration  
Department of Health, Education, and Welfare  
Washington, D. C.

I. Introduction

The Federal Food, Drug, and Cosmetic Act imposes certain requirements on the handling of peanuts as human food. Among other things the law requires peanuts for food use to be clean and to be stored under conditions which protect them from filth and decomposition. In the case of peanuts this means protection from insects, rodents, birds, and any other sources of contamination. The Food and Drug Administration has emphasized the importance of producing a clean product in a clean plant. To accomplish this peanuts must be handled, stored, and delivered at all times in such a manner as to keep it clean.

This leaflet discusses the sanitary handling of farmer's stock peanuts and mentions some of the most important sources of contamination and how they may be eliminated. It deals principally with a contamination preventive program for peanut warehouses. However, many of the suggestions will be of considerable value also to packers and processors of peanut products.

II. Inspection of premises

1. Peanuts frequently are stored in old warehouses that have been or are being used for many grains and seeds. Peanut warehouses often have quantities of old peanuts lodged on or in ledges, beams, window sills, elevators, elevator wells, conveyors, and other places. In addition, spilled peanuts, grains, or animal feed may be present in loading areas. Such residues are usually infested and serve as a means of perpetuating insects from one season to the next. Some insects also fly or crawl from other warehouses or storage places in the neighborhood. Rats and mice migrate in and out of poorly constructed buildings. These vermin also breed in materials other than peanuts and they can exist on trash and dust containing vegetable materials. Peanuts are free of rodent contamination and stored-product insects when they are brought in from the field.

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2. Rodent and bird contamination consists mainly of rodent pellets, urine, and hair and bird excreta and feathers. Rats and mice living in and on bagged and binned peanuts deposit their pellets and urine on the nuts. Birds roosting on beams and ledges may drop their excreta onto the nuts.

The presence of rodents may be most readily detected by inspection for pellets and for urine stain on bags. Altho rat and mouse pellets may be found at first only in out-of-the-way places, when they are concentrated in such areas the rodents may have contaminated peanuts all thru the warehouse. Accumulation of bags, unused machinery, boxes and cartons, etc., may provide rodent harborages.

	Yes	No	Corrected
a. Stored materials free from contamination (Check separately each lot of grain, seeds, or feeds for pellets, stained and gnawed bags.)	_____	_____	_____
b. General premises (Check along walls, ledges, etc. Examine floor-by-floor.)			
(1) Storage area free from evidence of rodents and birds.	_____	_____	_____
(2) Adjacent areas free from evidence of rodents and birds.	_____	_____	_____
c. Premises free of rodent harborages.	_____	_____	_____
d. Adequate aisle space.	_____	_____	_____
e. Remarks.	_____		
	_____		
	_____		
	_____		
	_____		
	_____		
	_____		
	_____		



3. Insects do relatively little damage to peanuts in the intact shell. However, as a practical measure the presence of shells cannot be relied upon to protect the peanuts since commercially 25 to 50% of peanuts will have cracked shells and thus are subject to insect depredation. There are two groups of storage insects which attack farmers' stock peanuts: moths and beetles. The moths include the almond moth, the Indian meal moth and the Angoumois grain moth. The first two of these commonly breed in the surface layers and the Angoumois grain moth works deep down in the peanuts. The beetles include the sawtooth grain beetle, the flat grain beetle, the cadelle and the Tribolium flour beetles. Check separately each lot of grains, seeds, and feeds, for insects, webbing, and insect damage. Examine other foods and feedstuffs in addition to the peanuts since the insects can move from product to product.

	Yes	No	Corrected
a. Stored materials free from insect infestation. Examine seams of bags carefully because insects often move to the seams for a part of their lives. (Check separately each lot of grain, seeds, other foods or feeds.)	_____	_____	_____
b. Peanut handling equipment.			
(1) Empty bags (Re-use of insect infested bags is a major source of trouble.)	_____	_____	_____
(2) Dump pit, hoppers, etc.	_____	_____	_____
(3) Screw conveyors.	_____	_____	_____
(4) Elevator boots, legs, and heads.	_____	_____	_____
(5) Cleaning equipment.	_____	_____	_____
(6) Other.	_____	_____	_____
c. Peanut handling equipment accessible for cleaning.	_____	_____	_____
d. General premises. Inspect ledges, elevators, floors, window sills, beams, equipment, out-of-the-way corners, and closets for accumulation of insect-infested material. Examine all of the premises floor-by floor including adjacent structures.			



	Yes	No	Corrected
(1) Storage area free from infestation.	_____	_____	_____
(2) Adjacent area free from infestation.	_____	_____	_____
e. Premises free from peanut or other food or feed residues on which insects may thrive.	_____	_____	_____
f. Adequate space and accessibility for inspections and cleaning.	_____	_____	_____
g. Remarks. _____			
_____			
_____			
_____			
_____			

### III. Construction

Construction indicates only the relative ease or difficulty with which the peanuts may be protected. With sufficient care, peanuts may be safely stored in an open shed. With a lack of control, they may deteriorate rapidly in a steel and concrete elevator. If insects, rats and mice, or birds are present, these must be eliminated by fumigation, poisoning, trapping, and cleaning of harborages, and construction defects must be eliminated.

#### 1. Is building rodent proof?

a. Foundation.	_____	_____	_____
b. Exterior walls.	_____	_____	_____
c. Doors screened and close fitting.	_____	_____	_____
d. Loading platform.	_____	_____	_____
e. Does platform scale pit provide rodent access to warehouse?	_____	_____	_____
f. Other.	_____	_____	_____



	Yes	No	Corrected
2. Conveying and cleaning equipment rodent proof or inaccessible to rodents.			
a. Dump pit, hoppers, etc.	_____	_____	_____
b. Conveyors.	_____	_____	_____
c. Cleaning equipment.	_____	_____	_____
d. Other.	_____	_____	_____
3. Windows screened to exclude birds.	_____	_____	_____
4. Building free of false ceilings, double walls, inaccessible ledges.	_____	_____	_____
5. Bins, floors and other woodwork reasonably free from cracks and insect tunneling. (Especially important if peanuts stored in bulk.)	_____	_____	_____
6. Entire structure (or bins) sufficiently tight for good fumigation.	_____	_____	_____
7. Building rainproof.	_____	_____	_____

#### IV. Control program

The essence of sanitation is a continuous control program of policing, housekeeping and attention to incoming materials. Such a program calls for

1. Check on incoming lots of peanuts and other food and feedstuffs.			
a. For rodent contamination.	_____	_____	_____
b. For insect infestation.	_____	_____	_____
2. Adequate disposal of infested or contaminated lots.	_____	_____	_____
3. Periodic check on stored lots.			
a. For rodent contamination.	_____	_____	_____
b. For insect infestation.	_____	_____	_____
4. Adequate disposal of infested or contaminated lots.	_____	_____	_____



	Yes	No	Corrected
5. Continuing application of insect control of the premises.			
a. Premises kept clean, free from accumulation.	_____	_____	_____
b. Residual sprays used on walls and floors (Caution: Use only approved sprays and avoid contamination of stored foods.).	_____	_____	_____
c. Aerosols used to control moths.	_____	_____	_____
6. Continuing application of rodent control of the premises.			
a. Premises kept free from rodent harborage.	_____	_____	_____
b. Periodic inspection for evidence of rodent entry.	_____	_____	_____
c. Maintenance of bait or trapping stations.	_____	_____	_____
d. Tracking powders used to detect rodents.	_____	_____	_____
V. <u>Check on outgoing lots</u>			
1. For rodent contamination.	_____	_____	_____
2. For insect infestation.	_____	_____	_____
3. Conveyance in sanitary conditions.	_____	_____	_____
VI. <u>Government publications available for reference</u>			
A. Insects			
1. Farmer's Bulletin 1260, U.S.D.A., "Stored Grain Pests."			
2. Leaflet AMS-58, U.S.D.A., "An Insect Preventative Program for Peanut Warehouses."			
B. Rodents			
1. Wildlife Leaflet 349, U.S.D.I., "Control of House Mice."			
2. Conservation Bulletin 19, U.S.D.I., "Rat Proofing Buildings and Premises."			



United States Department of Agriculture  
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- "Weekly Peanut Report" Issued Wednesday of  
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F&V Division, Market News Branch, AMS
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- "Peanuts and Their Uses for Food," MR Report No. 16,  
1952 by Antoine Banna, Sidney J. Armore,  
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- "Peanuts in Southern Agriculture" May 1947 FM No. 65  
by K. L. Packman, G. B. Crowe, and K. V. Goodman  
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- "An Analysis of the Peanut Shelling Industry 1950-51  
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- "Better Storage Practices Cut Peanut Marketing  
Costs" by C. B. Gilliland  
Reprint from Marketing Activities Feb. 1956  
Agricultural Marketing Service
- "Peanut Marketing Quotas and Related Material"  
(published 1956) Commodity Stabilization Service

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- Florida Agriculture Extension Service "Peanut Production  
Guide," Circular 145, 1956
- Georgia Agricultural Extension Service "Growing Peanuts,"  
Circular 309, 1955
- \_\_\_\_\_ "Peanut Production," mimeograph sheets, 1954
- North Carolina Agricultural Extension Service "Peanut Production  
in North Carolina," Circular 257, 1942
- Oklahoma Agricultural Extension Service "Peanut," Circular 410
- Texas Agricultural Extension Service, "Handbook of Peanut  
Production," MS 883, 1950
- Virginia Agricultural Extension Service, "Larger Yields and  
Better Quality Peanuts," Circular 413, 1956
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"The Southern Corn Rootworm in Peanuts," Circular 586, 1954







Problems of Economic Policy  
an address by  
Herbert Stein  
Director of Research,  
Committee for Economic Development\*  
before  
Agricultural Outlook Conference  
Department of Agriculture, Washington, D. C.  
November 26, 1956

I intend to take the subject assigned to me quite literally. I have been invited to talk about Problems of Economic Policy, and I shall talk about problems much more than about solutions. And, indeed I shall be talking about problems to which I, at least, do not know the solutions. Furthermore, my assignment sets few limits to my subject, and I shall say a little about each of several problems that seem likely to be important in the future. I shall, however, not wander into the area covered by Mr. Randall's talk except to say that, in my opinion, the most important economic problems confronting the United States today lie in the area of our economic relations with the rest of the world, and notably with the underdeveloped world.

It is, of course, our habit in discussing the American economy to talk about its problems and that is the constructive thing to do. But it is worth noticing that the outstanding fact about the American economy is not its problems but its great achievements. Indeed, many of our problems are consequences of our achievements. The tremendous growth of the American economy has given the American people the highest standard of living in the world, and the prospect, in fact the reasonable assurance, of continued increases in living standards. The strength of the American economy has served as the shield of our security in two world wars. The product of our economy has been distributed among the population in ways that are generally regarded as fair. And all this has been accomplished without limitation upon the freedom of the American people. On the contrary, the accomplishment has been a major contributor to the freedom of the American people.

I say these things with some diffidence in the presence of an audience that is primarily concerned with agriculture. I know that American agriculture faces many and serious problems; but, if we take the long view, it is certainly clear that the problems even of American agriculture are not absolute but relative. They are the problems of failure to share adequately in the tremendous fruits of American economic achievement.

But let me turn to problems. Economists of my generation were brought up in the shadow of a great depression. We cannot, even at a time of very high prosperity, begin a discussion of economic problems without first looking over our shoulder to see whether a depression is about to overtake us. For this reason, and not because logic would require that we place it at the head of a list of problems, I should like to say a few words first about the prospect of a depression and of our ability to deal with it.

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\*Views expressed are Mr. Stein's and not necessarily those of the Committee for Economic Development.

We have now experienced ten or eleven years of quite high prosperity interrupted by only two brief and shallow recessions. What are we to make of this experience? A number of interpretations are possible, but I shall only mention two. The first is that we have entered a new era -- real this time -- in which there will be no more depressions and very few recessions even as severe as those of 1949 and 1954. The other is that we have been through a period of prolonged prosperity not essentially different from others in our history, although perhaps somewhat extended in length and increased in strength as an aftermath of the great war. On this interpretation we are subject, as we have always been, to the possibility of economic declines of substantial magnitude.

In my opinion, it would be a mistake to believe that we have left behind us forever the possibility of recessions more serious -- even substantially more serious -- than those of 1949 and 1954. One can without great difficulty visualize combinations of circumstances which would exert a depressing influence upon the economy much stronger than any we have experienced since the end of the war, and probably not essentially different in magnitude from those that set off substantial depressions in the past. What I think we can be confident of is that the same initial, depressing impacts that we have had in the past will no longer create depressions of the same magnitude. The reasons for this are well known and I shall only briefly call them to your attention. They include the new strength of monetary and financial system which assures that we would not in any subsequent recession have the collapse of our money supply that accompanied previous serious contractions; the built-in flexibility of our tax system -- which assures that the aftertax incomes of individuals and businesses would decline in a recession much less than their beforetax incomes; -- and the support that unemployment compensation and farm price supports would give to incomes in a decline. For these reasons and some others I think that the tendency of our economy to multiply an initial depressing impact into a great depression will be very much weaker than it was in the past.

Nevertheless, there is, it seems to me, one great policy problem in this area. This problem is to some extent the consequence of our achievement in strengthening the economy against recession. I would worry that the combination of prolonged prosperity plus awareness of the built-in strength newly added to our economy would generate the belief that our economy is depression-proof. In some respects this would be a constructive belief, but it could have rather serious effects upon policy. I do not think we are yet in the position to be sure that the built-in strength of our economy will give adequate resistance to depression in all circumstances. That is, I think we should be prepared for circumstances in which positive action will be necessary. The means to such positive action are within our grasp. We could, for example, if necessary greatly expand the money supply in a recession and greatly increase individual's and businesses' incomes by cutting tax rates. But if we come to believe that permanent prosperity is the natural and inevitable state of our economy, I am afraid that we shall be ill prepared, psychologically, politically and in many other ways, to take the positive action when, and if it should be necessary -- or at least sufficiently prepared to take the action as quickly as would be desirable. I cannot imagine a deep depression going on for very long in the United States. But I can conceive of one going deeper and continuing longer than would be necessary if we were not excessively confident about the natural resistant and recuperative powers of the economy.

I am not forecasting a recession for 1957. I have made a practice of not forecasting and I do not intend to depart from it at this moment. I am pleased to note that Mr. Koffsky will predict the 1957 economic picture a little later this morning. However, I would say that there is rarely a period when one could look at the American economy for as much as 3 or 4 years ahead and say with assurance that during those years there will not be some tendency for the economy to decline. And, I have a feeling that there may be special reasons for us to be on our guard during the next 3 or 4 years. The plant and equipment boom has been going on for a rather long time and we know very little about the factors that determine the volume of investments that businesses want to make. We have no assurance that the current decline in the rate of new housing starts will reverse itself or can be reversed by public policy and nobody knows whether there is any limit to the American public's appetite for new automobiles.

But all this talk about recession is speculative -- formally necessary to consider, practically requiring some preparations and proper attitudes of mind, but possibly not requiring any action in the medium-term future.

Let me turn now to a problem that is real and present. That is the problem of inflation. During this year the cost of living, which seems to me the most convenient measure of inflation, has increased by between 2 and 3 per cent. If this were all -- if we did not have behind us a recent experience of much greater inflation, and if we could be sure that this current rate of price increase would not be continued or repeated at frequent intervals -- this 2 or 3 per cent would not be something to worry about. But I do not believe that we can justifiably have this confidence. I do not share the view that inflation is inevitable in the American economy. But I do believe that inflation is a real danger, and one that we shall only avoid by some very hard policy actions. I am not talking about inflations of the kind we had during and just after World War II. What I am talking about is whether there will be a persistent, although gradual and intermittent, tendency towards inflation in what we may regard as the normal peacetime economy. I would not exclude from the definition of the normal peacetime economy -- as we may have to live with it in, say, the next ten or twenty years -- the possibility of future Koreas and the inflations that they may bring. But, even if we did exclude such intervals, as we hope history will in fact exclude them, we could not be confident that we shall not have to struggle with the problem of persistent inflation.

The experience from which we might judge the strength of future tendencies toward inflation in the American economy is quite short. Two of the main forces that may strengthen a tendency toward inflation, namely the national commitment to full employment and the power of labor unions, did not exist -- or did not exist to so marked a degree -- before the end of World War II. And, from the end of World War II until early 1951 we did not have in operation one of the main forces to which we must look for resistance to inflation, namely flexible monetary policy. Therefore, the relevant experience extends only from the early part of 1951 to the present.

In the first part of this period, from its beginning until the early part of 1956, the cost of living index was on the whole remarkably stable. But during this year prices have risen on the average at a rate, which if continued, would certainly constitute serious inflation. Are we to regard the earlier period as the normal rule of our economy and the past nine months as a kind of freak unlikely to be repeated -- or repeated only rarely? Or should we regard

the stability of 1951 to 1955 as the product of exceptional circumstances -- the wearing off of which exposed us to the normal inflationary trend of our economy? I cannot, in the time at my disposal, go into the arguments on both sides of these questions. I can only say that I am confident that an objective appraisal of the evidence would be inconclusive -- that is, when all the facts have been studied we really don't know.

There are, it seems to me, two main questions about the prospect for inflation in the American economy. First, will we be willing, when necessary, to pursue sufficiently restrictive fiscal and monetary policy -- that is, taxes high enough relative to expenditures and money tight enough to prevent total demand from being excessive? Second, will wage rate increases tend to out-run the increase of productivity?

With respect to measures to restrain total demand, the chief uncertainty in recent years has been about the reliability of our adherence to a restrictive monetary policy. We have had two recent experiences with tight money -- one in 1953, and the other in 1956. I should say that I use the expression "tight money" here because it is so commonly used in the United States to describe the restraints that we had in both of those periods. In these periods money was really tight, except possibly for a very brief interval in 1953, only by comparison with the United States' experience of the preceding twenty years. It would not be called tight by comparison with earlier American experience or with almost any European experience. However, to return to my point, in both periods of tight money vigorous complaints against the policy were raised. And the ability of the monetary authorities to maintain their policy in the face of the political forces that these complaints might set up was in doubt. However, the policies were maintained and I think one is entitled to reasonable optimism about the willingness of the American public to uphold the hand of the monetary authorities in a policy of monetary restraint so long as that does not result in unemployment.

About the second question, the probable rate of wage increases, there is less certainty. I do not propose to judge whether, under present institutional circumstances, wage rates on the average will tend to outrun productivity. It seems clear that they will in certain conspicuous cases; but, whether they will on the average is much less certain. What is worth noting, however, is that we seem to have no reliable safeguards against the development of a tendency for excessive wage increases; and also that we would be very hard put to it to devise means to deal with such a tendency if it should unmistakably emerge.

I personally find it useful to think about inflation as a symptom of the attempt of the public to extract more from the economy than it is capable of providing. This attempt may take a variety of forms -- the attempt to buy more than the economy can produce, to invest more than the economy is saving, to get more out of the Federal budget than the public is willing to pay for in taxes, or to get more in wage rates than can be supported by productivity. It is perhaps natural that the tremendous achievement of the American economy in providing more and more for the American people should lead to the expectation that it is possible to get even more and faster out of it. The ultimate solution to the inflation danger, if it exists, in my opinion, will then not lie in techniques or devices but in the basic understanding on the part of the American public of the limits to their satisfiable expectations.

Events of the past month have brought to the fore problems much grimmer than either depression or inflation. They have reminded us how precarious and volatile our national security position is. This position has important economic implications, about which I should like to make a few comments.

Our national security position requires the American economy to sustain a present military program that costs about \$40 billion a year. This is a large program. But it does not really create a great problem for an economy that now produces over \$410 billion of goods and services a year.

Problems do arise, however, when one begins to speculate a little about the kinds of requirements that national security may impose upon the economy in the future. One can conceive of at least three conditions in which it might be desirable, in times of peace, for the U. S. to sustain a larger military program than it now has, not only absolutely larger but also larger relative to the size of our economy.

First, it may be decided that the present world situation calls for a larger military establishment than we now have--that is, that the estimates upon which our present posture is based are incorrect. Obviously, the weight of official, authoritative opinion supports the adequacy of the present size and composition of our forces. I have no qualifications for offering an opposing view. But there are enough dissenters around so that we cannot rule out the possibility that a reappraisal would lead to a decision to increase our programs substantially.

Second, Russian industrial production seems to be growing very fast, apparently at a percentage rate higher than our own. This, if true, may give them the capacity to impose heavier burdens upon us. If they decide to use more of their rising economic strength to support more diversified forces, or more expensive delivery systems, or more resilient defenses, we have no choice but to step up our own effort.

Third, the technology of war is in a fluid state, and research is being pushed hard both here and in the Soviet Union. Now, some innovations in military technology reduce costs, but this need not be true in all cases. One can imagine new developments that would make it worth while, and perhaps imperative, for us to spend much more than we are now spending.

None of these contingencies may eventuate. But the consequences of being unprepared to meet them could be so serious that it would be folly to ignore the requirements they would impose upon our economy.

The first requirement suggested by the existence of these contingencies is that our economy should grow rapidly. In general, the larger our total ability to produce the better able we will be to meet the now unpredictable demands of national security. Of course, we want growth for many reasons other than national security, but our world position probably requires us to raise our ideas of the growth rates that we consider satisfactory. Moreover, while the demands of defense are unpredictable, it is probably a good guess that they are likely to be concentrated in certain industries, such as metal-working and electronics. This adds a dimension to our requirements for economic growth that we could not specify in the absence of the security threat.

I shall return to the problem of economic growth in a moment. First, let me say a word about a more specific economic factor that may limit our satisfaction of our national security needs. This is the problem of taxation. As a matter of economics, I believe that we would be able to raise taxes to pay for any amount of national security expenditures that we wanted and that the economy could stand. Taxation, however, is a matter not only of economics but also of politics, that is to say, of agreement. The question that bothers me is whether short of war we could agree upon a tax system to finance a substantial increase of defense expenditures. This problem could arise, and I fear would arise, even though there were unanimous agreement that higher expenditures were desirable and worth paying higher taxes to get. The difficulties of getting agreement on a particular plan for raising taxes might be so formidable that no increase of expenditures would be adopted, or even proposed, unless the provocation were extreme.

The essence of the impasse, as I see it, is that income tax rates in the upper and middle brackets have now reached a point where many people, including myself, regard any further increase as unfair, impractical and economically unsound. At the same time, most of the rest of the population would regard a tax increase that did not include a boost in these rates as entirely unacceptable. The lack of a wider consensus on the elements of a sound tax structure is an impediment to rational decisions about expenditure for national security and for other purposes.

I have been talking about the requirements that national security may impose upon us under conditions that we now call peace. Of course it goes without saying that the possibility of our involvement in limited wars calls for preparations to strengthen the economy against the shocks -- largely psychological -- that such an event would set off. And it appears doubtful that we have fully exploited the possibilities of contributing to the avoidance of general war by hardening our economy to withstand direct physical attack. I have neither the time nor other qualifications for dealing with these problems today. But certainly no realistic appraisal of problems of economic policy in the modern world can abstract from them.

I would like, in conclusion, to say a few words on what is the favorite subject of economic discussions today -- economic growth. Increasing total production and production per man-hour of work is the most attractive line of solution for most of our economic problems, whether they are meeting the requirements of national security, preventing inflation or raising living standards. We are justifiably proud of the rates of growth achieved in the American economy in the past century. But it may well be that these rates will not be sufficient in terms of national security, and even in terms of living standards there is not strong reason to be content with continuation of historical growth rates.

Almost every aspect of economic policy affects economic growth. Unfortunately we do not know to what extent various policies affect growth, and in some cases we don't even know the direction of the effect. For example, we don't know whether a billion dollars spent for education does more to promote growth than a billion dollars spent on highways, or whether either does as much good as a billion dollars of tax reduction. In the present state of knowledge it is not possible either to present a systematic, comprehensive program for economic growth or to isolate out a few policy problems with confidence that they are the key ones. However, there are two areas of policy that I think would rank near

the top in any list of the problems of growth.

One is the adequacy of the supply of savings. This is the classical approach to growth; the traditional prescription for more growth is more saving in order to permit more investment. For twenty-five years this prescription was out of fashion. We learned that more saving did not automatically mean more investment. It might, in fact, mean less investment if an excess of saving caused a deficiency of consumption demand which made investment unprofitable. There were, and still are, people who believe this to be the characteristic state of our economy.

However, in recent years it has again appeared that there would be more investment if there were more saving, and the possibility of promoting saving is again becoming a subject of discussion. One way of doing this is through the Government's budget. The Government might itself save, by running a surplus, or it might levy taxes that bear relatively more on consumption than do the present taxes. But if we seek substantial results we shall, I believe, have to look for ways to encourage the voluntary saving of the great mass of the population. Most of this saving is done through financial institutions, and we shall have to examine whether these institutions are able to offer the potential saver the maximum combination of yield and safety that is permitted by the productivity of the American economy.

Another group of policy problems raised by our desire for more rapid economic growth lies in the field of education. We have become belatedly aware of the efforts that will be required merely to maintain existing standards of education for the fast-growing school age population. But the great contribution of education to economic growth was not made by maintaining standards but by improving them. And the question of how to improve standards would have become critical as we neared universal high school education even if we had not encountered the upsurge of the birth rate. Now that almost every child puts in the requisite twelve years, how can we assure that they, or the most capable among them, get the most out of their time and our resources? Is college education to become universal and free? If not, or even if it is, how do we expose the best people to the best higher education? This whole area bristles with problems for a Federal democracy where higher education has been mainly privately supported.

As we look at the economic problems facing the nation today in comparison with those of ten or twenty years ago an important difference appears. The consequences of failure to solve the earlier problems were clearly and immediately visible. Twenty years ago, failure to solve the depression problem showed up in ten million unemployed. Ten years ago, failure to solve the inflation problem was currently visible in a very rapid price rise.

Failure to solve today's problems would not be clearly visible today. Hardly anyone would be aware immediately of the difference between three per cent and four per cent in this year's rate of growth. The difference between stable prices and a two per cent increase in this particular year would not seem enormous. Whether or not we are preparing our economy adequately to meet national security requirements will probably not have visible consequences in this year.

The effects of failure or success in dealing with today's problems will show up chiefly in the future. This makes it difficult to focus public attention on the search for solutions. But the consequences in the long-run will be large and could be critical.

By Howard J. Doggett, Director, Soil Bank Division,  
Commodity Stabilization Service

The Soil Bank Act authorizes an Acreage Reserve Program for the 1956, 1957, 1958 and 1959 crops of the following kinds and types of tobacco: flue-cured; Burley; Maryland; dark air-cured; fire-cured; Virginia sun-cured; cigar binder, Types 51, 52, 54 and 55; and Ohio cigar filler, Types 42, 43 and 44.

Participation in the 1956 Acreage Reserve Program by growers of tobacco is shown in the table below:

Kind	Number of Agreements	Number of Acres	Maximum Payment*	Average Rate Per Acre
Flue-cured	6,093	10,329	\$2,105,319	\$204
Burley	5,753	3,752	789,435	210
Maryland	1,104	3,915	547,554	140
Dark Air-cured	1,125	919	98,250	107
Virginia Sun-cured	1,208	1,779	231,032	130
Fire-cured	1,770	1,951	296,729	152
Cigar:				
Type 51	758	3,525	1,155,226	328
52	957	3,220	1,058,061	329
54	144	338	43,675	129
55	1,028	1,826	277,458	152
42-44	54	117	15,960	136
TOTAL	19,994	31,671	\$6,618,699	\$209

\*Maximum payment which can be earned by fully complying with all terms and conditions of agreement.

Rates of payment were established by the Secretary pursuant to authority contained in the Act, with maximum limitations per acre, as follows:

Kind or Type	Cents Per Pound	Max. Limit Per Acre*
Flue-cured -----	18	\$293
Burley -----	18	340
Maryland -----	17	169
Dark Air-cured -----	12	201
Virginia Sun-cured -----	12	160
Fire-cured -----	13	198
Cigar Binder		
Type 51 -----	19	366
Type 52 -----	18	346
Type 54 -----	8	154
Type 55 -----	11	211
Ohio Cigar-filler: Types 42-44 ----	9	173

\*The maximum payment per acre limitation was established on the basis of 115% of the national yield per acre for each kind or type of tobacco.

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The payment per acre under 1956 Acreage Reserve agreements was based upon the rate per pound multiplied by the yield per acre established for the farm by county ASC committees. Soil Bank legislation was enacted into law after tobacco crops had been planted in a major portion of the tobacco producing area. Therefore, agreements in the Southeast were entered into, for the most part, with the crop under cultivation, which accounts in a large measure for the limited participation in that section.

In the case of agreements covering underplanting of the allotment, the yield per acre established for each farm was the lower of the normal yield for the farm or the normal yield for the tract of land designated as the acreage reserve. If the agreement was entered into for tobacco plowed under or damaged by natural causes, the potential yield per acre was appraised by county committees. For crops destroyed by natural causes the regulations provided for a minimum payment of \$6.00 per acre.

Unfortunately, compensation to growers in the case of damage or destruction of a crop led to the widespread belief that the Soil Bank Act contained crop insurance features. The very nature of the program provides income insurance for the acreage put in the reserve but it will not in 1957 and subsequent years provide payment for a crop once it has been planted. There is no provision for crop insurance of any kind in the Act or the Soil Bank Acreage Reserve regulations. Where a crop had been damaged prior to the final sign-up date and before an agreement was signed many farmers desired to enter into an acreage reserve agreement and receive full compensation for their tobacco acreage. Yields in such cases were appraised with a view of compensating the grower for the potential production remaining on the land after the partial or complete destruction. This is in keeping with the declared purpose of the Acreage Reserve Program. This problem will not recur with a timely program for 1957 and future years when agreements will be entered into well in advance of planting time.

Despite reductions in acreage allotments supplies of tobacco have become excessive. This was due mainly to increased yields and a decline in domestic consumption. Further, acreage allotment reductions necessary to relieve the market of the excessive supplies and at the same time keep the current supply of tobacco in line with the demand would create a serious economic impact on all tobacco growers.

The Soil Bank Acreage Reserve Program offers an opportunity to relieve the market of this surplus without a corresponding loss of income to the growers. For 1957 the program will be in operation on a "full-time" basis. It is expected that it will be announced in sufficient time for farmers to begin entering into agreements before the first of the year.

0 218  
UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL MARKETING SERVICE

SUMMARY OF THE 1957 FOOD OUTLOOK AND COMMENTS  
ON POTENTIAL USES OF THE 1955 SURVEY OF  
HOUSEHOLD FOOD CONSUMPTION FOR RESEARCH  
AND EXTENSION IN FOOD MARKETING

Statement by Marguerite C. Burk,  
Agricultural Economic Statistician,  
at the 34th Annual Agricultural Outlook Conference,  
Washington, D. C., November 28, 1956

As a prelude to my major concern here today, the potential uses of the 1955 Survey of Household Food Consumption, I am going to summarize the 1957 food outlook, just described by the commodity specialists, in terms of some figures derived from the survey. (See table 1.) These figures will help us size up the relative importance of changes in the outlook for major foods because they show how households divided up their food dollars among groups of foods bought for home use in spring 1955. The 1957 pattern of food outlay probably will be generally similar. I will also interpolate a few remarks on the 1957 outlook for trends in food marketing.

Summary of the 1957 Food Outlook

For meats, we expect less pork in the first half and possibly less fed beef. To you and me, less fed beef means less choice grade beef. Prices will run higher than in the first half of 1956. After mid 1957 - the meat outlook duplicates the current supply picture. With retail meat prices more flexible than consumption rates, we can expect higher dollar outlays for meat next year. With high consumer incomes, this may mean more money in total being spent for all foods. To fix in our minds the significance of this forecast for meats, we note in table 1 that nonfarm households spent for meats about a fourth of their outlay for food at home in the spring of 1955. No wonder the developments in the meat situation are closely watched by so many consumers and marketing agencies.

Both our consumption and our price forecasts are not precise as to timing and degree of variation within the year. Thus we can't formulate very clear indications of what will happen to expenditures for most groups of foods. Also, I'm sure many of you know that we don't have data needed to break down into food groups the total expenditures for food at home and meals and snacks away from home. But we are thankful for the detailed breakdowns of "at home" food outlays by commodity which are coming from the new survey.

Now for a quick rundown of the outlook for other groups of foods, noting for each the relative significance in outlays for food at home. Poultry and eggs take about 9 percent of nonfarm food outlays for home use,

Table 1.- Relative importance of food groups in household food expenditures for home use, one week, spring 1955 <sup>1/</sup>

Food group	United States					North-east	North-Central	South	West
	All	Urban	Rural	Farm	nonfarm				
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Meats	25	26	25	19		27	25	23	26
Poultry and eggs	8	9	8	3		9	7	9	8
Dairy products, excluding butter	15	15	15	11		15	15	14	15
Fats and oils, including butter	5	4	5	7		4	5	5	4
Fruits	8	8	7	9		8	9	7	9
Vegetables	11	11	10	11		10	11	11	11
Sugars and sweets	3	3	4	6		3	3	4	3
Cereals and bakery products	12	11	13	18		11	12	13	11
Other	13	13	13	16		13	13	14	13

<sup>1/</sup> Derived from data in 1955 Survey of Household Food Consumption.

only 3 percent for farm households. We foresee more chicken, perhaps at lower prices, at least as many eggs at slightly lower average prices, and maybe as much turkey.

Dairy products (excluding butter) -- 15 percent of nonfarm households' dollars for food at home, 11 percent for farm households. Supplies plentiful in 1957 at retail prices about equal to second half of this year, that is to say, up a little from the average for 1956.

Fats and oils--4 to 5 percent of nonfarm food purchases, almost 7 percent for farm households. At first glance, it is surprising to find that farm people spend a larger proportion of their food dollars for fats than do non-farm folks, but then we remember that total food purchases by nonfarm households for home use are substantially larger than those of farm households. Outlook--not much change in civilian consumption rates except for a slight rise in use of vegetable oils, as in shortening, and a small decline for lard. Prices at retail may average a bit higher.

Fruits--8 percent of the 1955 spring outlays for food for home use. Supplies will continue fairly adequate to meet demand though deciduous fruit output appears to be trending down. For details, see the Fruit Situation or the fruit story in the National Food Situation.

Vegetables--10 or 11 percent of spring food outlays. Large supplies of processed items as we move into 1957. Reports on crops of winter vegetables for fresh market are not particularly good because of unfavorable weather but we will supplement our domestic supplies with imports. No basis for estimating spring crops at this time. Plenty of potatoes, but not of sweetpotatoes.

Other foods--please refer to the National Food Situation for details on the outlook. Supplies generally large.

### 1957 Outlook for Trends in Food Marketing

As Ken Ogren said on Tuesday, we see nothing on the horizon for 1957 to indicate noticeable variations from certain major trends in food marketing, provided the international situation does not interfere.

Another way of describing what is happening in food marketing this year, and probably next, is that we are witnessing evolutionary rather than revolutionary changes. The cumulative effect of gradual adoption of newer marketing practices in one area after another is quite remarkable. Take for example, the increases in sales of frozen foods. No doubt, you all have noticed how one store after another puts in first a small frozen food cabinet, then remodels and puts in a larger one, and so on. Then we look about us one day and see most of the business being done by supermarkets and the little cross-roads or neighborhood stores disappearing one by one. I wish I could trace each of the major trends in food marketing and point out how the survey data can be used for studying them, but I have time only to remind you of these trends.

(1) Those arising from changes in the location of producing areas, such as further encroachment of suburbia on market gardens around our cities and greater reliance on production in the South and West. The great army of refrigerated trucks on our highways and crowding of terminal markets provide evidence of these trends. (2) Trends in food marketing related to rural-urban and regional movements of the population--such as more people buying more of their food and the gradual rise of the West as a place to sell food. (3) Trends related to changes in the way we live and work. These include less home production of food, the development of suburbia, and less heavy physical work on our jobs. (4) Changes in processing methods and changes in forms of foods we buy. Remember here Ogren's comments on technological improvements in processing and gradual shifts from fresh to processed and for some foods, from canned to frozen. (5) Gradual changes in methods and channels of distribution--including alterations in the assembly process, shipping, wholesale and retail handling and developments such as improved quality control during the distribution process. Many of these changes are tied in with the other trends in marketing just noted.

#### Reports on the 1955 Survey of Household Food Consumption

In about 6 weeks you will get 5 reports with a thousand pages of statistics on the food consumption patterns of American households. These come from the Department's Survey of Household Food Consumption in the spring of 1955. Recognizing that many of you are not and do not want to be statisticians, I am going to take about 20 minutes of your time to encourage you to regard these reports as milestones in the development of food marketing and not as mill stones for door stops or as professionally acceptable shelf fillers.

This survey is the latest in a series of inquiries into the food consumption patterns of the American people conducted by the home economists of this Department. You no doubt recall many earlier sets of figures on family living and dietary adequacy reported to you at these Outlook Conferences. This time AMS has joined forces with ARS in sponsoring the largest food survey yet undertaken because marketing people have come more and more to recognize the usefulness in marketing research of facts and figures from these surveys of how much of which foods housekeeping families buy, produce at home, and consume.

A preliminary report on the 1955 Survey of Household Food Consumption was issued last August. It carried overall figures on family food expenditures. The food market and family living sections of the chartbook contain a number of charts developed from this report plus some figures drawn from the first 5 statistical reports. We deeply regret that we were unable to get them ready in time for distribution to you here, but I am pleased to tell you that all five reports are ready to go to GPO next week and we expect distribution to begin about January 1.

The survey represents the cooperative efforts of many individuals in the Department. Faith Clark, Janet Murray and Ennis C. Blake of ARS had major responsibility for the planning and supervision of the study. They were

assisted by George R. Rockwell, Jr. and Thomas J. Lanahan, Jr. of AMS. Consultants for the Department in the drawing of the sample were Earl Houseman and Evelyn Grossman. Others who gave technical assistance in the preparation of these reports are Eleanor Hemm, Robert J. Lavell, and Mollie Orshansky.

The Survey was carried out under the general direction of Gertrude S. Weiss of the Household Economics Research Branch, ARS; Robert M. Walsh of the Market Development Branch, AMS; and James P. Cavin of the Statistical and Historical Research Branch, AMS.

Since most of my remarks today have to do with using the data from these 5 reports, we have brought some samples to help you visualize the kinds of figures you'll find in these reports.

To begin with, one of these reports will contain data for the United States, and the others will contain comparable data for the Northeast, North Central, South, and West. Each report will have data for housekeeping households grouped by urbanization and by family income, that is by money income in 1954 after payment of income taxes.

Table 1 contains the number of households, arranged by region, urbanization, family income, and family size. This provides a distribution of housekeeping families and people by size of family income. For example, you folks from the Northeast will find out what proportion of housekeeping families living in urban areas reported money incomes under \$1,000 in 1954.

Table 2 has a lot of figures on food expenditures in total, for home use and away from home; money value of food consumed, broken down between purchased food, home produced, and food received as gifts or pay. The data will be subdivided so that we will get averages for one person families, two person households, threes and so on.

Tables 3 to 22 contain the quantity data for some 200 food items consumed per family in one week in April-June 1955, their money values, and proportions of households consuming.

A comparable set of 5 reports with dietary data computed from the quantity data given in the first 5 reports is also being assembled. It is my understanding that this second set will be completed and released early next year. ARS and AMS are also cooperating in preparation of reports on home food preservation practices, home food production, and home baking practices with spring 1957 as a proposed dateline.

From the survey will come a mass of useful by-product data including the number of meals eaten at home and away from home; household size and type; age, education, and employment of wife or female head; place of residence, and other family characteristics. Some work toward assembling these data is under way but no timing on release is yet in sight.

I see three groups of end-uses for data from this survey. (1) For analysis of family living, as in Mrs. Weiss' and Mollie Orshansky's speeches (2) In dietary studies. Not only are these valuable to home economists, nutritionists, and others concerned with health, but as you all know, they are significant to all people concerned with agricultural production and food marketing because they indicate needed adjustments in food supplies and food buying. (3) In analysis of national, regional, and local problems relating to the marketing of food and food services. This is the area of my particular concern today.

Among these problems related to marketing are 5 which I think we are ready to re-examine, using data from the first 5 reports on the 1955 survey along with other survey data and figures on changes over the last 30 years in food consumption, income, price, marketing costs, and in other socio-economic factors affecting food consumption and demand.

The problems which I am going to highlight are perhaps even more vital to workers in Extension than to researchers. Should not the chain of action be, first, the location of problems in production and consumption adjustments by Extension and researchers (as well as by many other groups), then fact finding on problems by researchers, and finally, doing something about the problems on the local level--spear-headed by Extension? I suspect that many times we researchers describe the problems we are working on in such different terms that you folks in Extension do not recognize them as the problems which you have been concerned about for years.

After I identify the 5 problems, I'll give examples and try to explain why and how I think each problem is directly significant to Extension programs. Perhaps my comments will give you a new angle on one of them at least, or some ideas about the kinds of research you should persuade researchers in your State to tackle soon.

1. What are the patterns of consumption of major foods by region and State, urbanization, and income?
2. How have these patterns changed in the last 30 years?
3. What is the relative significance of economic and social factors bringing about historical changes in food consumption patterns? These include income, rural-urban and other population shifts, occupation changes, changes in availability of food and food marketing services, changes in the way we live, etc.
4. What are the relationships between trends in food marketing and changes in food consumption patterns?
5. What are the areas and groups with potential for expansion of the market for foods, what are the factors necessary to achieve the potential, and what public and private programs can be developed to expedite their achievement?

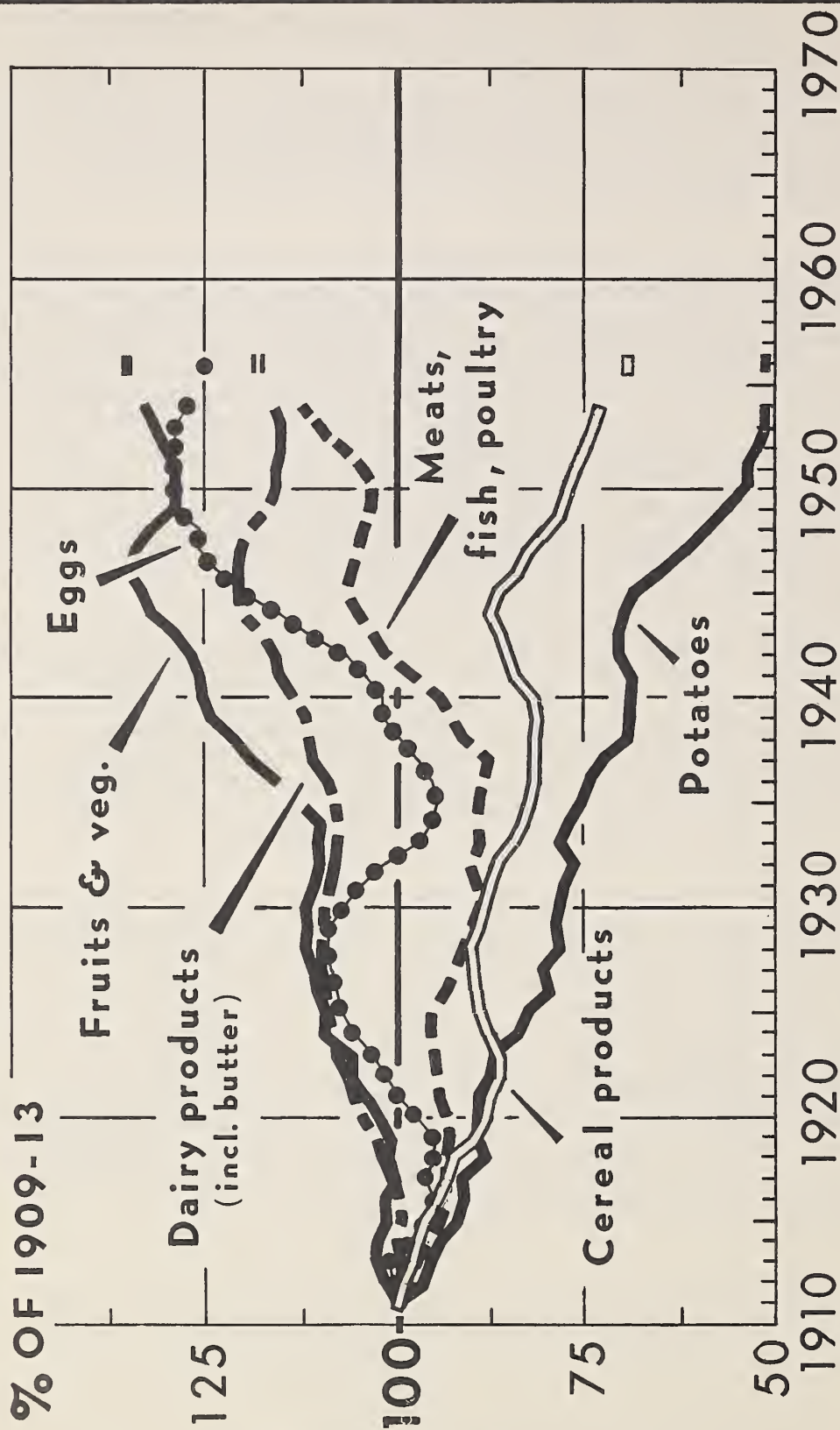
Let us consider first the patterns of food consumption. These tell us how groups of households rank the many food items in their daily use. Looking again at a sample of the commodity tables, you will get a clearer idea of what I mean by groups of households and food patterns. My summary of the 1957 food outlook represents one use of a ranking on the basis of dollars spent. The Bureau of Labor Statistics uses the same type of data, adjusted to an annual basis, to combine retail price changes for individual foods into its price index.

After you take into consideration the proportions of households in your State that are urban, rural nonfarm, and farm and their probable distribution by money income, you will be able to pick out from the report for your region the items with which your educational programs should be concerned. Suppose, for example, that the per capita consumption of liver by urban households with incomes between \$4,000 and \$8,000 in your region runs only half as high as in the Northeast, say. Is liver an important food? Are families getting enough of the nutrients supplied by liver in other foods? (But to answer this question, you will have to wait for the dietary reports on the survey.) If not, what can you, or do you want to do about encouraging the consumption of liver? Is enough liver supplied to meat counters? Was liver over-priced in your region in the spring of 1955? These questions can only demonstrate the line of thought you might follow.

In these 5 reports, you will be able to identify degrees of high and low consumption for individual foods and for food groups. This will help you to get specific about the items to which you should devote more or less emphasis on influencing changes in current consumption patterns. Now you will have the basis for differentiating among groups of consumers so as to pin point your programs and recommendations. Which income groups in which urbanization needs your help the most? Where are they located? Why do you consider some parts of their food patterns undesirable?

Second, changes in food consumption patterns in the last 30 years. These changes are not just something to talk about. They can provide the clues to your doing something about future trends. Take those downtrends in cereal and potato consumption rates shown on the trend chart for examples. Are the consumption rates revealed by the 1955 survey noticeably lower than in earlier studies pertaining to your area? If so, these same trends may be going on in your State. Will they go on and on? Will they level off? What makes them go? If our goal is a balanced and healthy agricultural economy, should these trends go on? Are they desirable nutritionally? If these trends were judged undesirable, what forces could you as educators set in motion to slow them down? Or vice versa, if they are deemed desirable, should they be let alone or speeded up? How?

# TRENDS IN OUR EATING HABITS\*



5-YR. MOVING AV. CENTERED.

DATA FOR YEAR 1956 SHOWN BY SYMBOL.

\*PER CAPITA CIVILIAN CONSUMPTION, U.S. (USING 1947-49 RETAIL PRICES AS WEIGHTS).

May it not be true that many of the desirable trends in food consumption will go their merry way without any help from us agricultural researchers and educators? How do we know? Where should we concentrate our efforts? Promoting every food would be wasteful, so some basis for choice is needed, but what shall it be?

Next we come to the question of whether you should bother to know about the relative significance of major economic and social factors which have brought about historical changes in food consumption patterns. Perhaps I show my lack of knowledge of Extension objectives, programs, and methods in my answer. I can't see how any Extension worker can do much to influence or aid or counteract factors bringing about desirable or undesirable changes from current food consumption and marketing patterns if he or she doesn't know (a) why such changes are judged desirable or undesirable and from whose point of view; (b) what the forces behind those changes are; (c) how strong those forces are; and (d) how they can be influenced. Recall that we have included among the major economic and social factors affecting food consumption patterns at one point in time and changes in those patterns through time these forces: income, rural-urban and other population shifts, availability of food, occupational changes, and changes in the way we live. Nor should we overlook technological changes as an economic factor.

Consider the rapid increase in consumption of frozen orange juice over the past 10 years as an example. Should you conclude that the increase in frozen orange juice consumption was due to educational programs stressing the importance of Vitamin C in the diet? How many people buy their food on the basis of nutrient content? Did this increase come because of higher incomes or because housewives went on strike against squeezing oranges or because of effective merchandising of a product when people could afford it and wanted to save effort?

The influence of income changes on food consumption patterns is very difficult to evaluate. It seems quite evident that an addition of say \$500 to income of families previously at the \$2,000 level has considerable effect on the quantity and kinds of foods they buy. But an increase of \$500 for \$15,000 income families probably has little effect. Now let us go back to consider families with \$7,500 incomes. An addition of \$500 to their purchasing power may result in shifts among forms and quality of foods they buy, as well as in nonfood purchases. Can it be that the increase in purchasing power really permits other factors in consumer choice making to become more effective? If so, this is where your educational efforts can be focused. You can't do much about incomes of nonfarm families, but you might affect the gradual changes in food consumption patterns which accompany or follow rises in incomes. All of you, but especially those from Southern States, have great opportunities ahead of you in this direction as per capita incomes in your areas go up. Do you think more money should go to buying Choice instead of Commercial or Good beef? Do you want to encourage the consumption of fluid whole milk instead of fluid skim or buttermilk? Admittedly, it is

easier not to get involved in making choices among foods, but it is very difficult to make concrete recommendations for improving food consumption patterns without doing so.

The prospect of a 55 percent increase in real income per capita in the United States between now and 1975 poses serious problems for forecasters of food consumption. As illustrated above, we think that income becomes a less significant force determining food consumption as families reach high income brackets. But what forces take over? Keeping up with the Joneses? Knowledge of nutrition and diets? Fads? This is almost an uncharted area because we have had such a short experience with high incomes.

Turning again to trends in food marketing, this time in relation to changes in food consumption, I begin with a simple statement. Today, changes in food consumption are possible only if necessary supplies of foods are produced and distributed for consumers to buy. Demand of consumers in some geographical areas for certain foods processed and marketed in newer ways may shift faster because of advertising or educational programs than do marketing institutions or facilities for meeting that demand. Or marketing facilities may outrun demand. Let me describe an example of how the supply of marketing facilities may affect food consumption.

When I visited George Abshier and Ruby Uzzle at North Carolina State College last month to be exposed to the workings of the program of marketing information for consumers, I heard about crossroads stores that stop selling eggs during warm weather. This must keep down egg consumption by many families even though others who buy at supermarkets are well supplied. Or do farmers peddle their own eggs during the summer? What kind of diets do low egg-consuming families have in the summer months? What about other foods that require refrigeration? If low egg consumption rates in North Carolina worry anyone, maybe refrigeration program is the key. We know that many wide variations in consumption rates are hidden in our average data. Perhaps they represent greater potential for expansion of the food market in some areas and for more increase in the demand for farm products than we realize.

On the other hand, certain trends in food marketing may force changes in food consumption. For examples, recall the rising costs of marketing fresh produce and the problems of quality control during long distance shipping.

I suspect that no one in Washington can do nearly as good a job as you State people in spotting the problem areas of consumption patterns for each region. The first 5 statistical reports on the 1955 survey will provide regional data which you can have adjusted to a State or partial State basis. (I will discuss a possible procedure for this below.) We may be able to ask leading questions, but statistical training is no substitute for knowledge of local institutions.

Finally, we come to using data from the 1955 Survey of Household Food Consumption to identify areas with potential for expansion of the food market, to determine what factors must be changed to fulfill the potential, and to develop public and private programs to expedite that fulfillment.

This is a large order but I personally believe that an area by area study of market potential will give us much more information about future demand for food than overall U. S. statistical analysis of demand.

As we pointed out in the chartbook section on food marketing, the undeveloped potential for food sales in the South is obvious. (See table 2.) You may remark that incomes are much lower there. Yes, but per capita incomes are rising more rapidly in the South than in any other region. Moreover, I suggest that many other States may be witnessing rapid changes in other factors affecting food marketing and food consumption rates which should be followed currently. I think that localizing the data from the survey report for your region, with the help of researchers in your State, may provide the factual basis you need for pin-pointing your information and educational programs.

It may be that when you compare consumption patterns in your area with those of other regions, and explore reasons for them, you will locate weaknesses in local marketing set ups. This is the point where close cooperation among people in several phases of the marketing program of Extension, the research staffs of the Experiment Stations and Colleges, and food industry representatives is necessary. The researchers and marketing specialists can probably figure out why marketing facilities in one area have lagged behind other areas and suggest what is needed to expedite their improvement. It may be need for financing or for a general education program or specific training for food marketers or research on a special problem. You Extension specialists might take on the role of gadflies for private agencies and for researchers, too.

Now I shall venture to tell you how I think I would go about getting answers to these problems if I were in your shoes. My suggestions may prove impractical, but they may give some of you a lead or at least some encouragement.

First, I would take each of the 5 marketing problems or problem areas set forth above and identify its application to my own State. (Note: cite examples if have time.) I would write down a series of specific questions about food consumption rates for the State and in areas within the State and about each of the other problems.

Second, I would turn to agricultural economists, business researchers, sociologists, and other specialists at the State college and State university to get help in rounding up available research findings bearing on State trends in food consumption, food marketing facilities, income and population makeup, agricultural and industrial changes, and marketing patterns. I would certainly familiarize myself with all food marketing data collected by the

Table 2.- Comparison of regional and urbanization shares in food market with distribution of housekeeping population, spring 1955 <sup>1/</sup>

Region	Distribution in region by urbanization									
	Percentage of United States		Urban		Rural nonfarm		Farm			
	Food market		Food market		Food market		Food market		Food market	
	Percent	Population	Percent	Population	Percent	Population	Percent	Population	Percent	Population
	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
All regions	100	100	69	59	24	28	7	13		
Northeast	31	27	77	72	20	24	3	4		
North Central	32	30	69	58	22	26	9	16		
South	24	32	55	46	34	35	11	19		
West	13	11	74	70	20	31	6	9		

<sup>1/</sup> Derived from data in 1955 Survey of Household Food Consumption.

State Department of Agriculture and ask specialists there for leads to other State economic data, as on employment, rates of pay, industrial changes, and so on. If there is a Federal Reserve Bank in your State, you are fortunate for you will probably find that its agricultural economists have already assembled and studied a great deal of information on economic trends relating to agriculture. By the way, these fellows usually are here for Outlook so look around you.

Third, I would persuade a group of researchers, marketing specialists, home economists and other Extension specialists to study the data on food consumption patterns for the region from the 1955 survey and decide how they should be adjusted to match known benchmarks for my State, local consumption surveys, or hunches on differences in consumption between my State and the region. Probably you will find some income distributions already developed or that a statistician can fix up to use to build up all State totals from the average rates for families grouped by income. These can be tested against census sales data or milk marketing data or other totals. Watch out for the seasonal items where spring rates will have to be adjusted to annual rates using some kind of market data. I wouldn't worry about precision, but I would aim for adjusted rates for all major foods for perhaps four income groupings of urban, of rural nonfarm, and of farm families. Kenneth Ogren agrees with me that State estimates roughly adjusted from regional data and used along with regional data would provide a reasonable basis for localized analysis of marketing problems and for formulating specific Extension marketing programs.

Fourth, I would continue asking researchers in the State specific questions about the whys and wherefore behind food consumption and marketing patterns every time I met them. I would keep trying to persuade them to direct their efforts toward answering my more important questions. A question a day won't drive the researcher away.

Special regional and State problems to be reconsidered  
using data from 1955 Survey of Household Food Consumption

Partly because of the limitations of time and partly because of the limits of my own understanding of your work, I can note only a few such problems. Although I cannot take time here to describe how to use the survey data in tackling them, we hope to point the way in our future work.

1. Don't you need working approximations of State and local retail food price indexes for judging price changes and for background information?
2. Should the marketing programs of your region point more to the potentials of your own local and regional market and less to distant markets?

3. How much would the consumption patterns of urban, rural nonfarm, and farm families during other seasons differ in your region or State from those of the spring? Why? What could be done to make foods available to maintain good diets throughout the year?
4. Should some agency or institution be designated to assist in the interchange of adjusted or approximate State consumption data among State researchers and Extension staffs?

### Conclusion

Many of you have had much more experience with these marketing problems than I. It is my hope that perhaps you will find among my suggestions at least one lead to a different approach to old problems which will yield results.

Obtaining greater knowledge of the changing patterns of food consumption and marketing is the first step toward influencing future changes. An important goal of both research and extension in agricultural marketing is the development of a better balance between food production and consumption. The job of expediting gradual adjustments in both food production and in food consumption belongs largely to you State people. You are not only closer to the problems of food producers but to those of consumers and of food marketing agencies.

The next move is yours. What will it be?





UNITED STATES DEPARTMENT OF AGRICULTURE  
Federal Extension Service

THREE ECONOMIC CONCEPTS APPLIED TO THE USE OF FAMILY RESOURCES Y

Talk by Starley M. Hunter, Family Economics and Home Management Specialist, Division of Home Economics Programs, Federal Extension Service, U. S. Department of Agriculture, at the 34th Annual Outlook Conference, Washington 25, D. C., Wednesday, November 28, 1956.

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At the meeting of the National Outlook Advisory Committee last spring, Miss Eva Goble, Indiana State home demonstration leader, said that she believed we should do more in the national meeting than give forecast. She thought that we should teach some economic principles as well as give a forecast of economic situation. I agree fully with this point of view, although I think that 4 days do not provide much time for such additional work. However, I decided to try such a plan and to let you judge whether it is feasible or worth your time under the circumstances.

I have selected three interrelated economic concepts which I believe to be applicable to family economic matters in the utilization of family resources. The analysis of the use of family resources may be related to these concepts. I looked up the word "analyze" in Webster's Dictionary because it seems that people have different ideas about the meaning. The following definitions were selected for this purpose: "to separate mentally the parts of (a whole) so as to reveal their relation to it and to one another," and "to study the factors of (a situation, problem, or the like) in detail, in order to determine the solution, outcome, etc." I also found the following statement made by Darwin: "No one, I presume, can analyze the sensations of pleasure or pain." This seems extremely significant to me in relation to analyzing the use of family resources. We have no known measures to aid in determining the degree of pleasure or pain felt by animals--which says, of course, that we cannot measure the degree of human satisfaction as a result of the use or combination of uses of family resources. To give you a very simple illustration: I saw a 4-year-old girl last week who thinks she wants nothing more than a pair of roller skates for Christmas. Quite obviously, neighbor children are in possession of a good which was highly desirable during the summertime. Her span of attention is fairly short, and her experience with weather is quite limited. I think more mature judgment will be necessary to provide her a reasonably satisfactory Christmas. As to the exact amount of pleasure to be had from the possession of goods dear to the heart of a small girl, I cannot say. Nor can I hazard a guess as to the pain to be felt if she should not receive the much wanted roller skates.

This inability to measure the degree of satisfaction is one of our blocks to bringing about improved use of family resources. With our present limited knowledge, we can only bring all the forces possible to bear in trying to get families to analyze the use and to utilize more effectively the resources they have. I have been driving hard toward a full understanding of the management process by home economics extension workers. As you know, it

is a mental process. One step in this process is analyzing the use of resources. Three closely related economic concepts may be involved in this process: Marginal utility, alternative opportunity, and diminishing returns. Many of you no doubt will be familiar with these terms. I hope a brief review of them will not be too tiring.

I believe we can all agree to a definition of "margin" as a point marking an outer limit. In the case of marginal utility, the margin would be the point reached in satisfaction through the use of resources in one area of spending, beyond which we would not expend additional resources without very careful scrutiny of our situation to see whether or not other satisfactions were up to that level. Marshall expresses it as follows: 1./

"The primitive housewife finding that she has a limited number of hanks of yarn from the year's shearing, considers all the domestic wants for clothing and tries to distribute the yarn between them in such a way as to contribute as much as possible to the family wellbeing. She will think she has failed if, when it is done, she has reason to regret that she did not apply more to making, say, socks, and less to vests. That would mean that she had miscalculated the points at which to suspend the making of socks and vests respectively; that she had gone too far in the case of vests, and not far enough in that of socks; and that therefore at the points at which she actually did stop, the utility of yarn turned into socks was greater than that of yarn turned into vests. But if, on the other hand, she hit on the right points to stop at, then she made just so many socks and vests that she got an equal amount of good out of the last bundle of yarn that she applied to socks, and the last she applied to vests. This illustrates a general principle, which may be expressed thus:-

If a person has a thing which he can put to several uses, he will distribute it among these uses in such a way that it has the same marginal utility in all. For if it had a greater marginal utility in one use than another, he would gain by taking away some of it from the second use and applying it to the first." . . .

And in a money-economy, good management is shown by so adjusting the margins of suspense on each line of expenditure that the marginal utility of a shilling's worth of goods on each line shall be the same. And this result each one will attain by constantly watching to see whether there is anything on which he is spending so much that he would gain by taking a little away from that line of expenditure and putting it on some other line.

. . . And when the young pair look over their year's budget at the end of the year, and find perhaps that it is necessary to curtail their expenditure somewhat, they compare the (marginal) utilities of different items, weighing the loss of utility that would result from taking away a pound's expenditure here, with that which they would lose by taking it away there; they strive to adjust their parings down so that the aggregate loss of utility may be a minimum, and the aggregate of utility that remains to them may be a maximum."

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1./ Principles of Economics by Alfred Marshall, Ed. 8. p. 117-121

Marginal utility is high as related to the law of diminishing returns. Marshall makes the following statement on marginal utility and diminishing returns: 2./

"The marginal utility of a thing to anyone diminishes with every increase in the amount of it he already has.

There is however, an implicit condition in this law which should be made clear. It is that we do not suppose time to be allowed for any alteration in the character or tastes of the man himself. It is therefore no exception to the law that the more good music a man hears, the stronger is his taste for it likely to become; that avarice and ambition are often insatiable; or that the virtue of cleanliness and the vice of drunkenness alike grow on what they feed upon. For in such cases our observations range over some period of time; and the man is not the same at the beginning as at the end of it. If we take a man as he is, without allowing time for any change in his character, the marginal utility of a thing to him diminishes steadily with every increase in his supply of it. . . .

The larger the amount of a thing that a person has the less, other things being equal (i.e. the purchasing power of money, and the amount of money at his command being equal), will be the price which he will pay for a little more of it: or in other words his marginal demand price for it diminishes."

Our third concept is that of alternative opportunity. This concept indicates that everything has a price--any obtained economic satisfaction has a cost in relation to some other satisfaction given up in order to provide the one obtained. It takes some thinking and investigation to determine alternative opportunities and to decide which one will bring the most satisfaction at the least cost in family resources. A common example of this concept for young people today is whether to go to work at the wage obtainable after graduation from high school or to go to college at a price of foregoing the present wage with the expectation of greater satisfaction and perhaps a higher wage in the future.

How do these concepts have meaning for the American family? Our object, of course, is to maximize satisfactions from the resources available. This simply means to live the best possible life under the circumstances.

Let us think of it this way: Try to imagine all satisfactions in thin slices. When a resource is applied to one factor for living try to determine whether it provides enough satisfaction in that area to make it worthwhile to forego satisfaction in some other area. Time, energy, and money are all resources which break into thin slices and can be transferred in use from one area of satisfaction to another. With the same resources, satisfactions may be increased with careful planning and adjusted use. Also, greater efficiency in production can increase the total amount of satisfaction without increased resources.

Major family costs can be lined up, and ways and means can be found to

slice off a thin layer here to transpose to some area where more is desired. Better care and use will extend the life of some goods, better buying practices will extend the buying power of the dollar, and greater efficiency will save energy and time for other uses. Many families go to the extreme measure of cutting the level of living at the college stage in the family life cycle, while others are simply unhappy because they cannot bring themselves to adjust to such drastic change. Every family needs to examine its use of resources in the light of economic reasoning. By this process goods and services which do not bring basic satisfaction in relation to their cost can be foregone for other things more worthwhile.

I have selected two problems for us to consider that many farm homemakers face and one problem which either farm or city women may face. Since we cannot measure the satisfaction of homemakers, we can make no definite conclusion. And this brings us to the necessity of facing the fact that in the final analysis we are all alone. Each individual must make his decision--assume the risk and take the consequences of pleasure or pain--in relation to the use of economic resources available. Those better informed, those more willing to work at planning and looking for alternatives, are likely to be better satisfied with results.

USE OF THE FARM HOMEMAKER'S TIME

Marginal utility in use of time  
Diminishing returns in use of time

<u>Work in the home</u>	<u>Returns (possible)</u>	<u>Costs (possible)</u>	<u>How minimize costs</u>
Leisure Satisfaction Easier living Irritation at low income		Dissatisfaction Resources utilized Earned income foregone	Greater efficiency Savings through care and use of the household goods.

<u>Work on farm</u>	<u>Satisfaction</u>	<u>Dissatisfaction</u>	<u>Greater efficiency</u>
Earned income		Resources utilized Leisure foregone Irritation	

Alternative opportunity  
of use of energy

Milk 28 cows  
Feed 9,000 chickens

Decided to milk cows since there is no heavy lifting involved.  
Milking parlor with pipeline to cans in cooler; work light,  
time a factor but not energy.  
Heavy feed sacks a problem in chick feeding.  
Efficiency great enough that homemaking is not neglected.

USE OF HOMEMAKER'S TIME--  
FARM OR CITY

Marginal utility in use of time  
Diminishing returns in use of time

Homemaker full time

Returns (possible)

Family well-being  
Personal satisfactions  
Better care and use of  
resources possible  
Leisure time, etc.

Homemaker and member of labor  
force 40 hours per week

Earned income  
Personal satisfaction  
Wider contact with many  
people

Costs (possible)

Earned income foregone  
Irritation at low income  
Loneliness  
Personal satisfaction as  
worker foregone.

Leisure foregone  
Worry about family  
Less care of resources  
Supervision of child  
Irritation

Perhaps:

Lower standard of living  
New goods and services for  
family  
Additional outlay for transportation, food, different clothing, child care, etc.

A careful study of the necessary outgo in relation to the increased income is the only answer to these questions for any one home maker. Her ability to earn, her efficiency in the home, her personal characteristics, her family characteristics, her wishes, and the wishes of her family, all will have a bearing on the solution of this problem.

Outlook as a forecast of the possible future, important as it is, is not in itself the only good to come from consideration of the future. It is in the encouragement to consider the total pattern of operation of a family that the most good can come. If we could induce people to stop, think, and plan through the total situation, most of them would be able to improve family living simply by a reallocation of the resources available. In some cases improvement could come from the recognition that time is a resource and that all members of the family except the very young have a contribution to make. If we could induce families to think in terms of the principles of alternative opportunity, marginal utility and diminishing returns in the use of time, energy, and money, we could bring about a great change in family living for many families.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Foreign Agricultural Service

TOBACCO - THE EXPORT SITUATION

Outlook for U. S. Exports - 1956-57

United States exports of unmanufactured tobacco this fiscal year will decline from the extremely high level of fiscal 1956. Exports probably will total about 500 million pounds (export weight), compared with 578 million last year--a drop of about 13 percent. Higher U. S. prices for certain traditional export grades, larger stocks in a number of major importing countries, and increased supplies in competing exporting countries all indicate a lower export figure. In addition, U. S. tobacco growers are producing a higher proportion of certain qualities of flue-cured leaf, lacking in flavor and aroma, not suitable for the export market.

Trade barriers present another handicap to the flow of tobacco from the United States. The major competing countries--with the exception of Canada--are expanding their use of bilateral trading arrangements to move tobacco into export channels, in exchange for industrial raw materials and manufactured goods. Other principal barriers to U. S. tobacco trade include preferential tariffs on non-U. S. leaf, import licensing, quantitative and exchange controls, and state trading.

There are a number of favorable influences, however, which will tend to encourage exports from this country. These include (1) increasing foreign consumption of cigarettes in which large percentages of U. S. leaf are used; (2) the generally superior quality of U. S. tobacco; (3) the use of Public Law 480 in increasing sales over and above the usual purchases of a country undertaking a program; and (4) the superior sales efforts of the U. S. tobacco export industry.

U. S. Exports and World Exports

In comparing U. S. tobacco exports with those of other countries, it is necessary to use calendar-year figures. Free World exports set a new record in 1955--1,393 million pounds, compared with 1,290 million in 1954. Most of the increased world exports in recent years has consisted of light cigarette leaf tobaccos supplied by the Federation of Rhodesia and Nyasaland, Canada, India, Greece, Turkey, and Yugoslavia. (In addition, there is a substantial export movement within the Soviet Bloc countries, mainly from Communist China to Eastern Europe.) It is probable that total Free World exports in 1956 were approximately at last year's level.

Prepared in the Tobacco Division, Foreign Agricultural Service, for Tobacco Commodity Session of the 34th Annual National Agricultural Outlook Conference, Washington, D. C., November 26-29, 1956.

Free World exports of unmanufactured tobacco: averages, 1935-39 and 1947-51; annual, 1952-55 <sup>1/</sup>  
(Export Weight)

Country	Average					
	1935-39	1947-51	1952	1953	1954	1955 <sup>2/</sup>
	- - - - - M i l l i o n P o u n d s - - - - -					
United States.....	421	486	396	519	454	540
Federation of Rhodesia and Nyasaland.....	33	98	118	114	132	124
India <sup>3/</sup> .....	44	75	82	71	74	90
Canada.....	16	23	39	28	32	48
Greece.....	98	53	91	108	116	121
Turkey.....	76	124	125	158	142	132
Indonesia.....	100	16	28	32	43	28
Dominican Republic.....	14	35	34	21	27	29
Philippines, Republic of..	37	10	26	26	22	9
Brazil.....	71	68	67	53	62	60
Cuba.....	28	34	40	36	42	48
All others.....	98	115	120	136	144	164
Total.....	1,036	1,137	1,166	1,302	1,290	1,393
Percent U. S. ....	40.6	42.7	34.0	39.9	35.2	38.8

<sup>1/</sup> Excludes exports of Communist China and countries now in the Soviet Bloc.

<sup>2/</sup> Preliminary.

<sup>3/</sup> Fiscal year beginning April 1 of year shown.

United States: Exports of unmanufactured tobacco by types, calendar years: averages, 1935-39 and 1947-51; annual, 1954-55  
(Export Weight)

Type	Average			
	1935-39	1947-51	1954	1955 <sup>1/</sup>
	Million	Million	Million	Million
	pounds	pounds	pounds	pounds
Flue-cured.....	312.9	388.1	374.8	456.5
Burley.....	10.6	32.9	29.6	31.3
Kentucky-Tenn. fire-cured..	49.0	24.6	20.9	21.4
Virginia fire-cured <sup>2/</sup> .....	9.0	6.0	4.0	4.4
Maryland.....	5.4	7.3	8.7	8.4
Green River.....	3.0	1.7	2.1	1.8
One Sucker.....	1.0	3.1	.9	1.7
Black Fat, etc. ....	8.9	4.7	4.5	5.3
Cigar Leaf:				
Wrapper.....	-	-	3.4	4.1
Binder.....	-	-	1.7	1.7
Filler.....	-	-	.2	.2
Total cigar leaf.....	1.3	9.8	5.3	6.0
Perique.....	.1	.1	.1	.1
Trimnings, stems and scrap..	19.6	8.1	2.7	3.3
Total.....	420.8	486.4	453.6	540.2

<sup>1/</sup> Preliminary.

<sup>2/</sup> Includes Virginia sun-cured.

In 1955, as in previous years the United States was the largest tobacco-exporting country, accounting for 39 percent of total Free World export trade. About 540 million pounds of unmanufactured tobacco, the largest quantity since 1946, moved from the United States to foreign countries. The value of U. S. tobacco exports in 1955 was the largest of record, although the quantity has been exceeded in a number of prior years. Preliminary forecasts place the calendar year 1956 exports at a somewhat lower figure and the United States share in Free World trade probably declined somewhat.

United States: Exports of unmanufactured tobacco by major markets,  
calendar years: averages, 1935-39 and 1947-51; annual, 1954-55

(Export Weight)				
Country of Destination	Average		1954	1955 <sup>1/</sup>
	1935-39	1947-51		
	Million pounds	Million pounds	Million pounds	Million pounds
United Kingdom.....	200.4	177.8	150.0	183.9
France.....	20.6	9.0	12.6	7.9
Netherlands.....	17.8	33.4	38.1	31.0
Spain.....	2.8	1.5	3.2	4.8
Ireland.....	7.1	17.6	14.1	12.8
Belgium and Luxembourg.....	12.5	22.9	12.5	25.0
Denmark.....	4.9	11.1	9.6	12.3
Norway.....	5.6	7.9	7.6	7.8
Portugal.....	4.8	8.7	7.4	6.9
Switzerland.....	4.3	12.8	11.7	10.8
West Germany.....	<sup>2/</sup> 10.6	49.2	43.3	59.0
Sweden.....	8.4	12.4	9.6	11.3
Japan.....	5.3	.4	6.7	17.5
Australia.....	19.9	20.3	28.2	31.6
India.....	2.9	7.5	1.3	2.9
Egypt.....	1.3	3.7	5.7	9.5
Mexico.....	.2	1.5	5.9	2.9
Philippines, Republic of.....	1.4	7.6	19.5	21.5
New Zealand.....	3.0	5.8	6.6	7.6
Indonesia, Republic of.....	2.2	6.5	10.3	9.9
China.....	49.1	14.3	-	-
Others.....	35.7	54.5	49.7	63.3
Total.....	420.8	486.4	453.6	540.2

<sup>1/</sup> Preliminary.

<sup>2/</sup> All Germany.

## Competitive Factors Affecting U. S. Tobacco Exports

(a) The Situation in Importing Countries.--Most tobacco-importing countries are continuing to take measures to increase domestic production. For example, the level of 1956 production in Western Europe, which takes about 75 percent of world imports of tobacco, was 13 percent above the 1947-51 average. Production of flue-cured rose from an average of 4 million pounds for 1935-39 to about 40 million in 1956. Production of flue-cured leaf in selected countries of the Far East that import U. S. tobacco has risen substantially in recent years. The dramatic example of this rise has been in the Republic of the Philippines, where the 1956 crop of flue-cured was about 12 times the level of 1954. Various measures being used to make importing countries more self-sufficient in tobacco include (1) high import duties; (2) price guarantees through forward contracts or other arrangements between producers and buyers; (3) guarantees to purchase the entire domestic crop regardless of quality; and (4) preferential excise tax rates on tobacco products containing locally produced leaf.

In many important tobacco-importing countries bilateral trading arrangements are used to expand sales of manufactured goods and industrial raw materials in exchange for tobacco. These arrangements are of various sorts: guaranteed purchase, trade and payments, and sometimes barter. In 1956 about one-third of the leaf tobacco imported by Western European countries moved under (known) bilateral trading arrangements. Under such arrangements, U. S. leaf tobacco is virtually excluded from these segments of foreign trade even though it may be superior to other similar tobaccos in quality, and in some instances, even lower in price.

Although some importing countries, particularly in Western Europe, recently have liberalized tobacco imports from the "dollar" area, many other countries are using various measures to control the source and volume of imports. These controls take the form of government monopolies, license and exchange restrictions, and quantitative limitations. In a number of instances these control measures tend to limit the volume of U. S. leaf being imported either on an absolute basis or by directing purchases towards non-U. S. sources of supply.

(b) Situation in Competitive Exporting Countries.--The U. S. tobacco grower is facing greater competition from foreign producers in world markets. Production of flue-cured tobacco in the Federation of Rhodesia and Nyasaland, Canada, and India--the countries that account for the keenest competition the United States faces in foreign markets--rose to 448 million pounds in 1956. This was about 19 percent above the 378 million pounds produced in 1955 and more than 65 percent above the 1947-51 average of 267 million pounds. (Communist China, with sharp increases in flue-cured production in recent years, is potentially a threat to Free World markets.) A larger proportion of the world's dark leaf tobacco exports is being supplied by such competing countries as Nyasaland, the Dominican Republic, Colombia, Algeria, and Brazil. The sharp upward trend in production of Oriental leaf--the second largest light cigarette type in world trade--continues in Turkey, Greece, and Yugoslavia.

Bilateral trading arrangements are widely used to increase exports of competitive tobaccos. About 70 percent of the tobacco exports of the Federation of Rhodesia and Nyasaland, Greece, and Yugoslavia were covered by such bilateral arrangements in 1955. More than 45 percent of the tobacco exports of Turkey and India moved by this method. Canada is the only important foreign exporter of light cigarette leaf which does not use bilateralism to move tobacco in world trade. As mentioned earlier in the discussion covering importing countries, these arrangements virtually exclude U. S. leaf from large segments of foreign markets.

The Federation of Rhodesia and Nyasaland is the Number One competitor of the United States in exports of flue-cured and dark fire-cured tobacco. Factors favoring increased competition with the United States include (1) the bright color of its flue-cured leaf; (2) lower prices for low and medium grades of flue-cured and all dark tobacco because of lower production costs; (3) an excellent research program, combined with large areas of adapted soils and ample labor paid low wages. Guaranteed markets exist in the United Kingdom and Australia for a major part of the crop, and there is a tariff preference in both countries for Federation tobacco. The Federation Government also has announced a policy of expanding bilateral trading arrangements to encourage tobacco exports to those countries with which the Federation has trade deficits.

On the other hand, there are a number of unfavorable factors tending to limit exports from the Federation. These include (1) lack of flavor, aroma, and "body" compared with U. S. leaf; (2) low yields per acre; (3) prices for better quality flue-cured higher than prices for similar grades in the United States; and (4) high overland transportation costs.

In India, where production of flue-cured and Burley continues upward, labor is ample and wages low. There is a tariff preference on Indian leaf in the important United Kingdom market, and the use of bilateral trading arrangements is being expanded. Low quality and yields combined with adverse soil and climatic conditions severely limit possibilities for improvement.

Canada's 1956 flue-cured crop was the second largest on record. Tobacco yields in Canada are high and quality good. Flue-cured producers in that country use the most advanced methods and equipment. There is a tariff advantage in the United Kingdom market. Prices, set at levels lower than the U. S. support price, are designed to move excess production into world markets. There is a short growing season, however, with the risk of frost and hail damage.

Turkey and Greece are the largest producers and exporters of Oriental leaf. Both have an incentive to expand labor-using crops. Land is scarce, and tobacco produces higher returns and foreign exchange earnings per acre than any other major crop. Production for export in both countries is being expanded by the growing use of bilateral trading arrangements. This method of disposing of tobacco surpluses is favored by the economic situation: both countries need large imports of industrial goods from areas which are important tobacco importers. On the other hand, there is continuing inflation in Turkey with resulting increases in tobacco export prices, and production costs are rising in Greece.

A number of countries that compete with the United States in exports of dark leaf tobacco have advantages in production costs. These include the Federation of Rhodesia and Nyasaland, the Dominican Republic, Brazil, Colombia, Cuba, the Republic of the Philippines, Indonesia, Algeria, and Italy. Our competitive position with respect to dark leaf exports is likely to continue unfavorable.

#### Attempts to Solve the Export Problem

In his message of January 11, 1954, to the Congress, President Eisenhower stated that new efforts should be made to move agricultural commodities into world markets. As an initial step, trade missions were dispatched over the world with instructions to (1) find out why United States farm products were not moving abroad more freely, and (2) recommend to the President and the Congress steps that should be taken to facilitate a higher level of agricultural exports. Tobacco was well represented on these missions.

The missions recommended (1) that the highest possible level of total trade with other nations be developed; (2) that the export prices of our agricultural commodities be made competitive with those of other exporting countries; (3) that legislation be enacted permitting the sale of surplus agricultural commodities for foreign currencies; and (4) that professional sales campaigns be undertaken to expand foreign markets for farm products.

An important result of the desires on the part of the President and the Congress to increase export sales of agricultural commodities was the expanded Foreign Agricultural Service, with agricultural attachés stationed in foreign countries reporting regularly to the Department of Agriculture. Among the important functions of the Foreign Agricultural Service are work on trade agreements with the hope of improving prospects for agricultural export trade, reporting foreign competition developments and marketing opportunities, and administering special sales programs.

Wherever possible the attention of the appropriate government officials concerned with trade agreement negotiations has been directed to the trade barriers facing tobacco exporters. At the recent Geneva Tariff Conference held during the period January-May 1956, evidence was presented to the members of the U. S. Delegation to assist them in obtaining tariff concessions on leaf tobacco and tobacco products. Concessions were obtained on cigars in the Belgian market, on leaf tobacco in Chile, on cigarettes in Western Germany, and on cigarette tobacco in the Dominican Republic. Evidence of several discriminatory situations with respect to tobacco was presented to negotiators in the fall of 1956 and will be used by them in an effort to have such situations improved.

In 1954 Congress enacted the Agricultural Trade Development and Assistance Act (P. L. 480, 83d Cong.). The Foreign Agricultural Service was charged with the administration of Title I of this act. Under this program, friendly foreign countries are able to purchase certain surplus agricultural commodities including tobacco and make payment in their local currency. The law states that the purchases made under Title I of Public Law 480 must be in addition to normal purchases for dollars.

United States: Exports of unmanufactured tobacco under Title I of Public Law 480, from beginning of program through September 30, 1956 <sup>1/</sup>

Country	Flue-Cured: 1,000 pounds	Burley 1,000 pounds	Dark Fire- and Air-Cured 1,000 pounds	Maryland 1,000 pounds	Cigar Leaf 1,000 pounds	Total 1,000 pounds
Austria.....	3,221	1,678	444	-	284	5,627
Brazil.....	-	-	-	-	121	121
Ecuador.....	125	68	-	-	-	193
Finland.....	2,983	744	378	-	-	4,105
France.....	870	-	-	-	-	870
Indonesia.....	7,108	-	-	-	-	7,108
Israel.....	631	-	-	-	-	631
Italy.....	872	1,683	3,432	-	-	5,987
Japan.....	8,055	1,736	-	-	-	9,791
Korea.....	6,069	-	-	-	-	6,069
Pakistan.....	3,699	-	-	-	-	3,699
Spain.....	1,214	1,060	956	312	73	3,615
Thailand.....	2,622	-	-	-	-	2,622
United Kingdom..	38,659	-	-	-	-	38,659
Total.....	76,128	6,969	5,210	312	478	89,097

<sup>1/</sup> Latest available information.

As of November 1, 1956, a total of 27 agreements had been signed with 18 countries providing for the sale of some 140 million pounds of tobacco valued at about \$97 million for foreign currencies under Title I of Public Law 480. As of September 30, 1956, a total of about 89 million pounds of

tobacco had moved into export trade under the Public Law 480 program. In fiscal 1956 leaf tobacco exports rose about 25 percent over the previous year. Sales under Public Law 480 accounted for more than one-half of this gain.

In most of the countries that have purchased tobacco under Title I of Public Law 480, the Department of Agriculture and the tobacco trade, working together, have initiated projects that will help increase foreign consumption of U. S. tobacco. Section 104(a) of Public Law 480 authorizes the use of foreign currency "to help develop new markets for United States agricultural commodities on a mutually benefiting basis." In this connection, a contract has been signed by the Foreign Agricultural Service and the U. S. tobacco trade. This provides that the trade will contribute certain dollar costs, while FAS will furnish substantial amounts of foreign currency for tobacco market development projects during the next 2 years.

A number of market development projects have been undertaken. These include market promotion in Japan for cigarettes containing U. S. leaf, a market survey in Spain, a consumer preference study in Italy, and educational visits for tobacco officials from Thailand, Finland, France, and Korea. Several projects in other countries are under discussion, and every effort will be made to achieve success in the objective--increasing the level of consumption of U. S. leaf abroad.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service  
Household Economics Research Branch

7 TRENDS IN CONSUMER CREDIT 7

Talk by Margaret L. Brew, Head, Household Management Section  
at the 34th Annual Outlook Conference, Washington 25, D. C.,  
Wednesday, November 28, 1956

The terms "consumer credit," "consumer debt," "short-term credit," "installment credit," and "mortgage credit" have been bandied about so much that some clarification of their meaning may help the discussion this morning. Essentially, of course, credit is the asset side of the ledger and debt the liability side. Thus, "consumer credit" is money or purchasing power extended by the lending agencies to consumers, and "consumer debt" is money owed the lending agencies by consumers. Indebtedness of individuals can be broadly broken into two classes: mortgage debt (or real estate debt) and shorter term debt which includes a number of types of commitments, usually payable within a period of 1 to 36 months. In many publications the term "consumer credit" is confined to a consideration of the shorter term obligations. It is in this sense that we will be considering the term "consumer credit" today, primarily to keep our discussion within the bounds of our time limits. However, it is frequently impossible to consider the implications of changes in the size of one type of commitment without also considering changes in the other.

Short- or intermediate-term consumer credit may be further divided into two large groups, installment credit and noninstallment credit. Credit to be repaid in a series of installments is of various types, for example, automobile paper, other consumer goods paper--such as loans on refrigerators or furniture--home repair and modernization loans, and personal installment loans. The term "paper" used in connection with consumer credit means installment sales notes held by banks, other financial institutions, or retail outlets. Personal installment loans, frequently made by banks, are for unspecified purposes, as distinguished from installment notes for purchase of automobiles and the like. They are frequently used for emergency medical care and other personal expenses, but they may also be used for the purchase of a car, modernization of a house, or the purchase of household equipment. They are also often used for refinancing previous commitments, particularly in cases where a number of loans are being consolidated. Noninstallment consumer credit consists of charge accounts, service credit--such as that extended by doctors, dentists, utility companies, and dry cleaners--and single payment loans which are repaid in a single lump sum at the end of a specified time period.

Because of its tremendous growth, consumer credit has, within the past few years, become a subject of considerable concern to economists, public administrators, and those who counsel families. Some economists argue that the growth of debt obligations for goods and services actually improves the position of the consumer. Increased purchases of goods stimulates production and, since production requires a labor input, results in greater income for

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consumers. Others argue that a large amount of consumer credit outstanding imperils the stability of the economic system, and therefore the financial security of the families who are a part of it. Family counsellors can also argue pro and con on the subject of consumer credit. Consumer credit permits families to enjoy higher levels of living because they can purchase in advance of earned income such consumer durables as automobiles and mechanical refrigerators. However, consumer credit is costly and many families get into financial difficulties by taking on too large a total obligation..

Since 1951 total short- and intermediate-term consumer credit outstanding has increased each year at an average rate of about 13 percent. In 1955, the amount of credit outstanding at the end of each month, as reported by the Board of Governors of the Federal Reserve System, averaged about 34.5 billion dollars as against 19 billion in 1950, 7.5 billion in 1940 and 6 billion in 1929. The first eight months of 1956 indicates a continued upward trend. Credit outstanding at the end of August was 12 percent higher than a year earlier. However, the rate of increase from month to month, seasonally adjusted, declined steadily for the year following September 1955; and in the month of September 1956 was quite nominal.

However, these figures on dollars of credit outstanding in a sense over-emphasize the increase that has taken place. In 1955, personal disposable income and consumption expenditures reported by the Department of Commerce were about three and one-quarter times what they had been in 1929, consumer prices were half again as high, and population had increased slightly over one-third. Therefore, for a better measure of changes in the use of consumer credit, it is desirable to eliminate, insofar as possible, the price and population variables in order to study the relationships between consumer credit, income, and expenditures.

In the chart titled "Consumer Credit, Expenditures, Income" (also in table 1), the figures for disposable personal income, consumption expenditures, and consumer credit outstanding have been converted to dollars of constant purchasing power--in this case 1955 dollars--and computed on a per capita basis for the years 1929-1955. On a per person basis and in dollars of constant purchasing power, personal disposable income and total consumption expenditures were half again as high in 1955 as in 1929, whereas consumer credit outstanding was almost two and three-quarters times as great.

Another way of showing the growth of consumer credit is to compute it as a percent of total consumption expenditures. In 1929, consumer credit outstanding was 8 percent of total consumption expenditures; in 1940, 10 percent; whereas in 1955 consumer credit, expressed as a proportion of consumption expenditures, had reached the unprecedented figure of 14 percent.

The principal pitfall in this approach, of course, is that the figures presented are average per capita figures. Consumer credit outstanding is not equally distributed among the population. Some persons assume debt obligations for purchases that bring their total expenditures above their current income. Others have income greatly in excess of their current expenditures. Another pitfall is that all aggregates of these types are derived from a multitude of estimates, some of which are better than others.

While it is not possible here to explore the little-understood economic implications of the relationships between consumer credit, consumption expenditures, and personal income, it may be worthwhile to review briefly the relationships themselves. In all years since 1929, except the depression years, personal disposable income has exceeded consumption expenditures. However, even in the depression years, consumer credit outstanding had dropped very little--from about 8 percent in 1929 to about 7 percent of total consumption expenditures in 1933. Many economists have attributed at least part of the recovery which followed to the increasing willingness of consumers in those years to take on debt obligations. From 1933 until the beginning of World War II, consumer credit outstanding rose even in dollars of constant purchasing power and the average rate of increase was greater than the average rate of increase in personal income and consumption expenditures.

The lack of availability of many consumer durables in the years 1942-1945 coupled with the heavy educational program designed to get consumers to refrain from buying unnecessary items and price controls reduced consumer expenditures relative to income. The diminished purchases of durables, particularly, accounted for the low volume of credit outstanding; credit controls also served to limit credit buying in those years.

The immediate postwar year of 1946 saw a sharp rise in consumption expenditures; refrigerators and washing machines were coming back on the market. In dollars of constant purchasing power, per capita consumer spending then leveled off during the years 1947 through 1949, undoubtedly to a considerable degree in response to the sharp drop in per capita real income in the years 1945 through 1947. During this period consumer credit outstanding rose continuously.

In 1950 there was another spurt in consumption expenditures and this time also in consumer credit. The scare buying in the latter half of the year because of the beginning of hostilities in Korea contributed to this rise. However, sales of automobiles and other consumer durables had reached post World War II peaks even in the first six months of 1950. Since 1951, changes in all three--income, expenditures, and credit--have been generally upward.

While we are not specifically taking mortgage debt into account today, it might be well to call attention to the tremendous increases that have been taking place in this type of obligation. In dollars of constant purchasing power, mortgage credit outstanding on 1-4 family nonfarm houses has increased from about 31 billion dollars at the end of 1929 to 88 billions at the end of 1955. The rise in mortgage debt was especially sharp in the immediate post World War II years. These were years of great increases in building to make up for the lag in housing not only during the war years but also during the thirties. Housing starts in 1933, for example, were only 10 percent of those in 1925, the peak year of the 20's. In 1944 housing starts were only 15 percent of those in 1925. In 1950, the peak post World War II year, housing starts were half again as high as in the mid-twenties.

In 1955, total mortgage debt of individuals and short- and intermediate-term obligations are estimated at about \$700 per capita. For an average family of 3.6 persons, total consumer debt would have amounted to about \$2,400-\$2,600.

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To round out this picture we should have figures for changes in the total assets of individuals and the relationship of consumer credit outstanding to assets. Unfortunately, there are no figures showing the total value of goods owned by families, but, undoubtedly assets have been increasing in the past 15 years. Figures for ownership of separate types of consumer goods support this premise. In 1940, 44 percent of the dwelling units in this country were occupied by owners as against 55 percent in 1950. In 1941, 51 percent of the families in the United States owned automobiles as against 60 percent in 1950 and 71 percent in 1955. I could go on down the line with figures for mechanical refrigerators, washing machines, and TV sets.

We do have estimates of the financial assets of individuals in the United States and they, too, have shown growth. The Securities and Exchange Commission has reported total financial assets of 434 billions in 1955. These include currency, bank deposits, U. S. savings bonds, and insurance and pension reserves. In 1955, these assets averaged more than \$2,600 per capita, or, for a family of average size, between \$9,400 and \$9,500. The trends in consumer credit outstanding must be viewed in the light of the rising wealth of individuals in this country.

Another point that is a part of the framework of the consideration of the growth of consumer credit is the many new kinds of goods and, particularly, services that can now be bought on credit. We are all familiar with the travel advertisements to take a trip now and pay later. Some of us may be less familiar with the fact that we can now pay for a college education on the installment plan. Credit cards can be used now not only for gasoline purchase across the country, but for hotels, and even restaurant meal purchases. Furthermore, many businesses, such as department stores, are becoming aware of the profits possible in installment accounts, so are promoting the use of this service.

A much larger proportion of consumer credit outstanding today is in the form of installment credit than in earlier years, 76 percent in 1955 as against 66 percent in 1940. And most of the increase has occurred in automobile paper. Because figures for some of these series are not available as far back as 1929, comparisons can be made back to 1940 only. (See chart "Per Capita Credit" and table 2.) In 1955, automobile paper accounted for 34 percent of the consumer credit dollar outstanding as against 24 percent in 1940. Of course, consumers have been buying more automobiles in the past few years than in 1940. Whereas only 1 in about 39 persons purchased a new automobile in 1940, 1 in 23 persons purchased a new car in 1955. Furthermore, the character of the automobile has changed considerably: cars are heavier, have better motors, and more elaborate equipment today than in 1940, so the average amount spent per car, even in dollars of constant purchasing power, is higher. Both of these factors would account for increases in the dollar amounts of credit outstanding even assuming the same ratio of credit to sales. Also, some of the increase in personal loans is thought to be used for the downpayment or even the full purchase price of automobiles, so the proportion of the total accounted for by automobile paper does not represent all of the consumer credit being used for automobile purchase. Another pertinent point here is that the period for loan repayment on cars has been growing longer; this tends to increase the amount of credit outstanding at one point in time.

While other consumer goods paper, i. e., installment credit on refrigerators, television sets, furniture, and the like, increased both in current dollars and in dollars of constant purchasing power and on a per capita basis between 1940 and 1955, the proportion that this form of credit was of the total had declined from 22 to 20 percent. This is somewhat surprising in view of the large number of TV sets, freezers, and new types of refrigerators that have been introduced into American homes during the past few years. However, in recent years there has been an increasing tendency for new houses to be sold with household equipment installed, particularly refrigerators and ranges. In such cases, the purchase of these items becomes a part of the mortgage debt rather than a part of the short- or intermediate-term obligation.

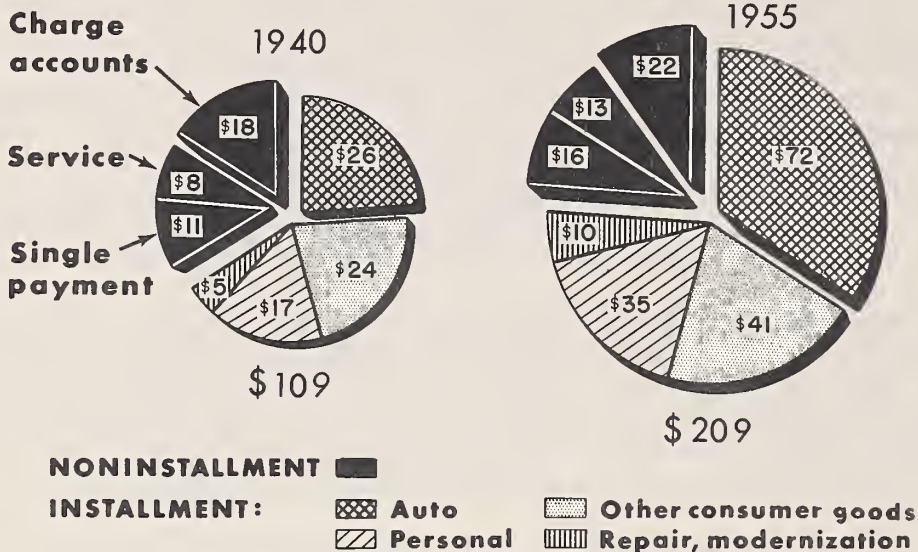
Personal loans and repair and modernization loans increased slightly percentagewise from 1940 to 1950. Charge accounts, one of the forms of non-installment credit, dropped from 16 percent to 10 percent, although the amount of such credit outstanding averaged \$18 per person in 1940 (in 1955 dollars) as against \$22 in 1955. Service credit as a percentage of the total has also declined, although it, too, has increased slightly in amount.

To sum up briefly, the amount of short- and intermediate-term consumer credit outstanding has increased markedly in recent years, and at a greater rate than consumption expenditures for goods and services and disposable personal income. However, consumer assets have increased also. In addition to the larger amount of credit in use, a much larger proportion of the total is for automobile purchase.

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1955 Dollars

## PER CAPITA CREDIT



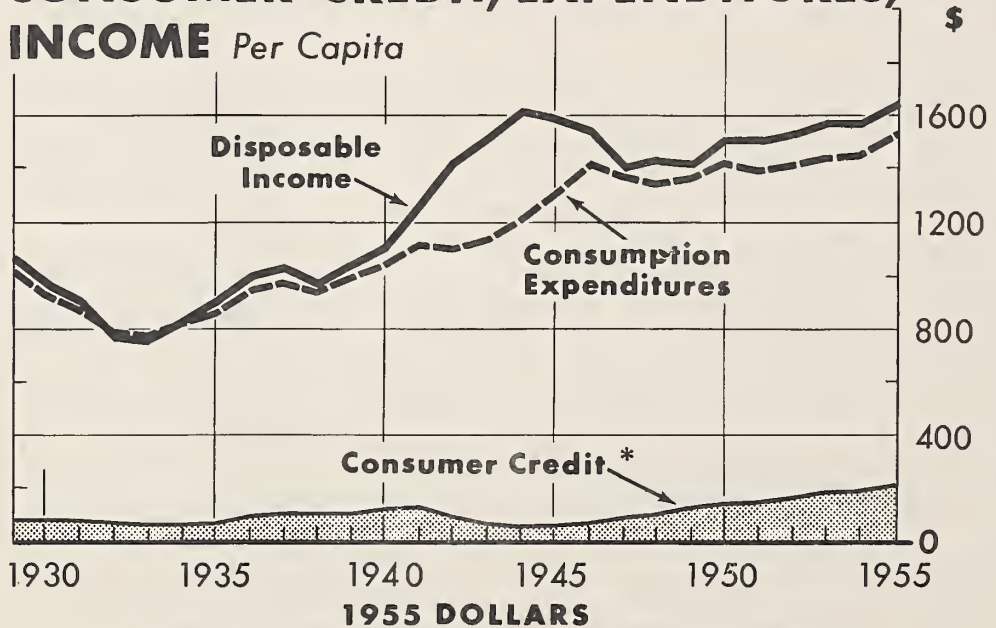
SHORT- AND INTERMEDIATE-TERM CREDIT OUTSTANDING, MONTHLY AVERAGES

SOURCE: DERIVED FROM DATA PUBLISHED BY FEDERAL RESERVE BOARD

U.S. DEPARTMENT OF AGRICULTURE

NEG. 56 (II)-365 AGRICULTURAL RESEARCH SERVICE

## CONSUMER CREDIT, EXPENDITURES, INCOME Per Capita



\* SHORT- AND INTERMEDIATE-TERM CREDIT OUTSTANDING, MONTHLY AVERAGE

SOURCE: DERIVED FROM DATA PUBLISHED BY U.S. DEPT. OF COMMERCE AND FEDERAL RESERVE BOARD

U.S. DEPARTMENT OF AGRICULTURE

NEG. 56 (II)-366 AGRICULTURAL RESEARCH SERVICE

Table 1.--Per capita personal income, consumption expenditures, and consumer credit

Year	Current dollars				1955 dollars			
	Disposable personal income	Consumption expenditures	Annual savings	Consumer credit outstanding	Disposable personal income	Consumption expenditures	Annual savings	Consumer credit outstanding
1929.....	683	648	34	49	1,067	1,013	53	77
1930.....	604	577	28	48	968	924	44	76
1931.....	515	494	20	41	906	871	36	72
1932.....	390	395	-5	31	764	774	-10	61
1933.....	364	369	-5	26	754	765	-11	54
1934.....	411	411	1	28	823	821	1	56
1935.....	458	442	16	34	893	862	31	65
1936.....	517	489	28	43	998	944	54	82
1937.....	551	522	29	50	1,028	974	54	93
1938.....	506	498	8	47	960	945	15	90
1939.....	538	516	22	50	1,037	995	42	96
1940.....	576	544	32	57	1,101	1,040	61	109
1941.....	697	614	83	66	1,270	1,118	152	121
1942.....	871	665	206	53	1,431	1,093	338	88
1943.....	977	735	241	36	1,512	1,138	374	56
1944.....	1,060	794	267	34	1,614	1,208	406	52
1945.....	1,075	870	205	35	1,599	1,294	305	53
1946.....	1,126	1,037	89	47	1,546	1,424	122	65
1947.....	1,173	1,145	28	67	1,406	1,372	34	80
1948.....	1,279	1,211	68	87	1,425	1,349	76	97
1949.....	1,261	1,211	51	101	1,419	1,362	57	113
1950.....	1,359	1,279	80	125	1,513	1,424	89	139
1951.....	1,465	1,350	115	137	1,511	1,393	119	142
1952.....	1,512	1,390	121	152	1,525	1,403	122	153
1953.....	1,568	1,444	123	181	1,569	1,446	123	182
1954.....	1,566	1,456	110	187	1,562	1,452	110	186
1955.....	1,637	1,537	100	209	1,637	1,537	100	209

Source: Income, expenditures and savings derived from data of the U. S. Department of Commerce, National Income, 1954 edition for 1929-51, Survey of Current Business, July 1956 for 1952-55; population data from U. S. Bureau of the Census, Series P-25, July 1 population including armed forces overseas. Consumer credit outstanding derived from data of the Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, April 1953 for 1929-47, October 1956 for 1948-55. Monthly averages of short- and intermediate-term credit outstanding were used. Data adjusted to 1955 dollars by the Consumer Price Index of the U. S. Bureau of Labor Statistics.

Table 2.--Consumer credit by major parts

Estimated amounts of short- and intermediate-term credit outstanding

Year 1/ or month	Installment credit				Noninstallment credit		
	Total consumer credit	Auto- mobile paper	Other consumer goods paper	Repair and moderni- zation loans	Personal loans	Total	Single- payment loans
Millions of current dollars							
1929.....	6,003	2,936	2/	2/	2/	3,067	1,085
1930.....	5,863	2,837	2/	2/	2/	3,026	1,075
1934.....	3,570	1,712	2/	2/	2/	1,858	471
1935.....	4,272	2,260	2/	2/	2/	2,011	534
1939.....	6,533	4,028	2/	2/	2/	2,505	783
1940.....	7,531	4,960	2/	2/	2/	2,571	775
1944.....	4,689	2,032	1,828	323	1,174	2,656	611
1945.....	4,964	2,154	708	114	830	2,810	674
1949.....	15,036	9,970	708	146	903	5,066	1,303
1950.....	18,996	13,225	3,046	843	2,294	5,772	1,457
1954.....	30,340	22,648	4,142	942	2,606	7,693	1,665
1955.....	34,521	26,144	6,361	1,602	5,052	8,377	2,264
1955--Aug..	35,526	27,195	6,857	1,589	5,847	8,331	2,669
1956--Aug..	39,878	30,644	6,884	1,599	5,993	9,234	2,725
			7,493	1,734	6,887		3,295
Percentage distribution							
1929.....	100.0	48.9	2/	2/	2/	51.1	18.1
1930.....	100.0	48.4	2/	2/	2/	51.6	18.3
1934.....	100.0	48.0	2/	2/	2/	52.0	13.2
1935.....	100.0	52.9	2/	2/	2/	47.1	12.5
1939.....	100.0	61.7	2/	2/	2/	38.3	12.0
1940.....	100.0	65.9	24.3	4.3	15.6	34.1	10.3
1944.....	100.0	43.3	8.1	2.4	17.7	56.7	13.0
1945.....	100.0	43.4	8.0	2.9	18.2	56.6	13.6
1949.....	100.0	66.3	25.2	5.6	15.3	33.7	9.7
1950.....	100.0	69.6	29.1	5.0	13.7	30.4	8.8
1954.....	100.0	74.6	31.8	5.3	16.7	25.4	7.5
1955.....	100.0	75.7	34.3	4.6	16.9	24.3	7.7
1955--Aug..	100.0	76.5	35.8	4.5	16.9	23.5	7.7
1956--Aug..	100.0	76.8	36.4	4.3	17.3	23.2	8.3
1929.....	100.0	48.9	2/	2/	2/	51.1	18.1
1930.....	100.0	48.4	2/	2/	2/	51.6	18.3
1934.....	100.0	48.0	2/	2/	2/	52.0	13.2
1935.....	100.0	52.9	2/	2/	2/	47.1	12.5
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1940.....	100.0	65.9	24.3	4.3	15.6	34.1	10.3
1944.....	100.0	43.3	8.1	2.4	17.7	56.7	13.0
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1/ Monthly averages. 2/ Data not available.

Source: Board of Governors of the Federal Reserve System, Federal Reserve Bulletin, April 1953 for 1929-47, October 1956 for 1948-55.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service  
Household Economics Research Branch

TRENDS IN FARM FAMILY FOOD PRACTICES

Talk by Mollie Orshansky, Food Economist, at the 34th Annual  
Agricultural Outlook Conference, Washington 25, D. C.,  
Tuesday, November 27, 1956

Yesterday and earlier today we were being told the outlook for the future. Let us now for a few minutes put the time machine in reverse and look back into the past. The last 20 or 30 years have been years of great economic change in our country. We have experienced marked rise in income, shifts in population from farm to city, alterations in our production pattern, and an increased degree of mechanization in our factories and our homes.

Sociologists often expect changes in customary behavior patterns to come to rural people later and more slowly than to city people, and in some cases perhaps not at all. We have seen, however, that farm families, too, as conditions permitted, have been eager for labor saving devices and modern equipment not only on their farms but in their homes, some of the things that make living more comfortable and that many city families take for granted. And now we shall see another example of how farm families have been reacting in this period of great expansion, as illustrated by some of the things that have been happening to food practices in the farm home.

The trends we present, let us hasten to add, are not in the nature of discoveries -- they are rather confirmations of what most of you have already been able to deduce from observing farm families in the course of your work. But it is useful at times to quantify, that is, to give a numerical measure to, these impressions, as a check and also as a guide in making guesses about the future, which after all, is the purpose of the Outlook Conference.

The data

Having decided that such retrospection is desirable, what then are the data available to us? In your daily work you often find, I am sure, that despite an abundance of figures of all sorts, the very one you need is somehow not to be found. If frustration, like misery, loves company, you may be reassured: We too have the same difficulty. On the other hand, it's worth remembering that if the answer were so readily available, we wouldn't have been asked the question in the first place! In the family living field, as you know, we do not have annual series such as are available for production and marketing of agricultural products. For this report we have assembled, in the main, data from field surveys in 1923, 1936, 1942, and 1952, and have added some figures already released from the latest study in 1955. 1/

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1/ Dates given are sometimes a year earlier because some of the information collected was for the year prior to that in which the study was made.

But history is not always kind. As you can imagine, the studies are not always comparable in concepts, procedures, or geographic coverage. We have been able to make some adjustments to allow for these differences, and have found in other instances that the lack of comparability did not materially affect the findings. For most of the items we take up today, we are reasonably certain that the "true" differences over time are at least as great as we show them to be, and in some cases may be considerably greater.

### Money value of food

In terms of total money value of food (at retail prices), farm families today eat better than they used to. As chart 1 shows, farm families in 1955 used over \$1,500 worth of food, about 10 percent more than in 1923 after allowing for price change. Because families in 1955 were smaller on the average, on a per person basis they used about 18 percent more food.

The chart shows further that it is the change in the amount spent for purchased food more than the changing amount home produced that is responsible for most of the difference. To say it another way, between 1923 and 1955 farm families more than doubled their food expenditures, while decreasing their home production (in dollar terms) about one-third. 2/ Farm families today still produce much of their own food, but like city families they have been steadily increasing the amount they spend at the grocery store. In 1955 farm families (averaging 4.1 persons) spent about \$900 for food (at home and away). In 1923, farm families, though larger (averaging 4.4 persons) spent only about \$400 (in 1955 dollars).

In 1923 the food bought by farm families came to only 28 percent of the total food used in the year at 1955 retail prices. In 1935-36 the purchased share was 37 percent, in 1941, 42 percent, and by 1955 was about 60 percent. Some of this trend, it is apparent, comes from increasing amounts spent for food away from home -- about \$25 in 1935 and \$110 in 1955 -- but much represents a shift from home production to purchase as the main source of food coming into the kitchen. We might mention here as a point of interest that in 1955, a farm family with money income between \$1,000 and \$2,000 spent \$3.79 per person for food in a week, the same amount (in 1955 food dollars) as that spent in 1935 by a family with \$4,000 or more.

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2/ New indexes of volume of home consumption recently issued by the Agricultural Marketing Service measure changes in the quantities of food consumed by U. S. farm families on farms where produced. These indicate a drop in quantity of 38 percent between 1923 and 1955, the same as indicated in retail dollar terms by the family surveys summarized on the chart. Indexes in dollar terms for 1935 and 1941 differ from the volume indexes largely because of differences in how home-produced food was reported in these studies.

The increase in food purchases has been supported by a marked rise in income over this 30-year period: We might estimate roughly that in 1955 the net money income per person on farms was about 2-1/3 times that in 1923 (after adjustment for higher prices). The outlay for purchased food per person in 1955 for the survey families was nearly 2-1/2 times that in the earlier year. Assuming that the families included in the surveys had the same income per person as the total U.S. farm population, the proportion of net money income of farm families going to food would be almost the same in the two periods, about one-third. With taxes considerably higher than they were in the twenties, this would mean that the proportion of disposable money income going to food is actually higher today.

Ordinarily, in family living surveys confined to a single year we find a decreasing proportion of family income going to food as income increases. We would expect the same pattern to emerge as well over a long-term period of rising income. The fact that the reverse is true indicates clearly to what extent our farm families have moved into a money economy.

#### Food consumed -- the diet pattern

The increased spending for food together with other changes in food practices have brought about changes in the farm family diet pattern. We shall illustrate this and the other points we discuss for the North Central region, for which more data are available than for other parts of the country. (This region includes nearly 40 percent of all farm families.)

In quantity terms, North Central farm families in 1955 had more milk and milk products and meat and poultry per person than families in the twenties and thirties, and considerably less grains. You can see the sharp drop in grains on chart 2, with the flour equivalent of grain products used at home per family in a week only 13 pounds today compared with 21 pounds in 1923. (The difference is large even when allowance is made for the smaller number of persons in present-day families.) The chart shows also a tendency to substitute purchased baked goods for some of the flour formerly used in home baking. (We might mention that the advent of flour mixes in recent years has somewhat deflected this trend. For an increasing number of families, a package of prepared mix is like a can of food on the shelf or a package in the freezer, and may on occasion substitute for a trip to the bakery.)

Chart 3 shows the increased amount of meat and poultry used nowadays. (We have shown it on a per family basis. In per person terms, the increase is from 3-1/4 pounds for the week in 1923 to nearly 4-1/2 pounds in 1955.) You see also a shift in the kinds of meat used, with pork decreasing and beef increasing as well as a reminder of the post-drought and depression days of 1936.

Quantities of other foods stayed much the same although the selection changed, as, for example, more citrus fruits and tomatoes in the fruits and vegetables group. Use of freezing as well as canning for home preservation and the increasing share of food purchased has helped the farm family achieve a more varied diet.

Using calories as a convenient device for summing up quantities of all foods we see a larger share of calories today comes from animal products and a smaller share from grains (Chart 4). In 1923, for example, milk products, meat, poultry, fish, and eggs provided about 29 percent of the calories in food available for home consumption, and grains, fats, and sugars about 60 percent. In 1955, the corresponding totals are 36 and 53 percent, respectively.

### Foods purchased

What kinds of food are the families buying?

The trend toward purchases -- i.e., away from home production -- is more pronounced for foods requiring much processing in the farm home. In 1923 farm families in this area using milk or cream generally home-produced it and they made almost all of their butter at home too. By the spring of 1955, most of the butter used in this dairy area and even a fifth of the milk was purchased rather than home produced although most of the cream used was still separated at home. (Charts 5 and 6.) The 1923 survey found practically no North Central farm families buying any milk in the entire year, while in 1952, 13 percent of the farm families surveyed were even having their milk delivered on a regular weekly basis.

Farmers, as chart 5 shows, are also buying more of their meat and poultry than they used to, but the trend has slowed down in recent years, probably because of the increased use of freezers and lockers. As you can see from the figures collected by the Census Bureau, North Central farm families, like those in other parts of the country, often have home freezers (Chart 7). In addition, for many farm families freezers-lockers, not shown here, add to capacity to freeze and store foods. Meat and poultry are the most popular items for home-freezing, and the necessary processing often is done commercially even when the food is to be put in the family freezer. Today, perhaps two-thirds to three-fourths of the home-produced meat and poultry consumed on farms is custom-processed in commercial locker plants.

It is quite common these days in discussing food consumption to point out that the homemaker buys and pays for foods with a higher degree of processing than she used to. Although relevant statistics for 1955 are not yet available, data from the earlier surveys show that the farm housewife as well as her city sister is looking for ways to make her job easier. In 1936 when the Consumer Purchases Study was made, a North Central farm housewife allocated about one-fourth of the dollars she spent at the food store in a week to buy prepared or partially prepared foods. <sup>3/</sup> In 1952, over one-third of her food money went for such foods.

3/ Bread and baked goods, ready-to-eat cereals, lunch meats, frozen and canned vegetables and fruits, ice cream, sweets and prepared desserts, pickles, olives, relishes, catsup, salad dressings, soups, other prepared and partially prepared dishes.

We have selected a few common foods for which data were available to illustrate the shift from do-it-yourself to buy-it-yourself between 1936 and 1952. You will notice (Chart 8) a sizable number of housewives buy "mixes" for pancakes and for cakes, biscuits, and the like when they choose to make these items at home rather than to get them readymade. <sup>4/</sup> Notice also the considerable number of farm families buying margarine and butter in this region where so much of farm income is derived from sale of milk and milk products.

Look next at the increased buying of foods often used for quick meals, or for preparing lunches to be carried from home (Chart 9). And here we see more housewives buying crackers and sweets (Chart 10). However, there are still relatively few purchasing cake. Cake flour mixes explain this as does the tendency for farm families to confine shopping for food to only one or two days a week. They may not have found ways of storing bought cake as satisfactory as for the other foods mentioned.

#### Home production and preservation of food

Because we have emphasized the increase in food purchases of farm families, it would be a mistake to conclude that little or no production and preservation of food is now carried on in the farm home. In the survey week in 1952, both the milk and eggs as well as some of the meat used in 45 percent of the North Central farm homes was home produced, and only 7 percent of the families didn't have at least one of these foods from their own production. Generally the supply of home-produced eggs and milk was sufficient to satisfy family demand for these foods, although this was not always the case for meat.

Commercial baked goods may be popular but the smell of fresh-baked bread or cake still pervades many a farm kitchen. In 1952, for example, 25 percent of the farm homemakers baked bread (loaf) during the survey week and 59 percent baked cake from "scratch," that is, without using a mix.

Despite the increase in use of commercially processed and ready-to-serve foods, most farm families in 1952 reported doing some canning in the previous year. As you see (Chart 11), almost all farm families canned food in 1951, just as they did in 1935 when economic conditions were much less favorable. Canning is still a popular means of home preserving food, although many homemakers now do it by choice rather than necessity. In general, the family canning food in 1951 canned a little less than in the earlier period -- with the decrease most noticeable for meat, and in some measure also for fruit. Few families today can meat unless they have no means of freezing it.

At the time of this survey, three-fourths of the farm families in the North Central region had a freezer or locker or both. The average farm family, in addition to canning the large quantity of food indicated here, preserved an additional 380 pounds by freezing, most of this being

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<sup>4/</sup> The survey reported purchased items used in the week rather than bought in the week, but for a large group of families the average using would be the same as the average buying.

meat or poultry. The use of freezers and freezer lockers may be one reason why despite the general decline in volume of home production, the quantity of beef consumed on farms where it is produced has shown an upturn in recent years.

In the thirties before freezers were on the market, families cured or smoked much of their home-produced meat but no information is available on the amount preserved in this way.

In studying farm family food practices, we see that both their purchasing practices and their home production have changed -- with the purchasing changing much more than home production. This has come about to satisfy a demand for variety in the diet, for the convenience of prepared and partially prepared foods, and for relief from time-consuming processing of food in the home. It has been possible by marked increases in farm income as well as by improved technology in marketing and processing of foods. But the increased food expenditures usually represent an addition to or a shift in rather than a replacement of home production, because home-produced food and purchased food don't substitute for each other dollar for dollar, or pound for pound.

We illustrate this for North Central families for the year 1951 (Chart 12). As the retail value of home-produced food increased, the food purchased for home use decreased, but at a decreasing rate, apparently approaching an average minimum outlay of \$500 <sup>5/</sup> Analysis of the practice followed with respect to home-produced meat helps explain why.

About two-thirds of all the families used some home-produced meat in the survey week, but most of these families bought some meat in addition. As chart 13 shows, the average amount of purchased meat dropped from 9-1/4 pounds for those families having none home produced to about 2-1/2 pounds for those having 8 pounds home produced. After this point, an increase in home production had practically no effect on purchases. This does not mean that home-produced meat could not have satisfied the demand, merely that often it did not. Actually the families supplementing home-produced meat with purchases had as much or more on the average to start with as the average used by those buying all their meat.

#### Farm family diets

Our concern for the welfare of farm families next prompts us to ask: What has been the net effect of all these changes on farm family diets? On the average, we find the trend is to more generous supplies of important nutrients relative to estimated need. The averages are shown on an adult-male equivalent basis, which means that adjustments have been made for differences among the groups studied as to food needs as indicated by family size and composition as well as activity of family members. You will note (Chart 14), despite the decline in use of grains

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<sup>5/</sup> Adding the expense for food away from home brings this figure up to about \$600, compared with an average of \$330 (adjusted for price change) determined for a group of Pennsylvania-Ohio farm families in 1935.

We saw earlier, a marked increase in thiamine in farm family diets occurring between 1936 and 1952 surveys. This is largely the result of the enrichment program for grain products, which with milk and meat are the chief sources of thiamine in the diet. The increased consumption of milk and meat and changes in the kinds of fruits and vegetables chosen explain the increases shown for calcium, and protein and ascorbic acid (Chart 15).

In each of the periods studied, although the average amounts of nutrients in farm diets met or exceeded allowances recommended as nutritionally desirable, there were some families with diets falling short of these goals. But in this respect, too, we find improvement. Data are lacking for 1923, and we do not yet have the figures for 1955, but we have compared the diets in 1952 with those in 1936 which was the time of the first large-scale food consumption survey. Rating of the 1952 North Central household food supplies by the standards used in the earlier study reveals diets are considerably better. In both periods, a small proportion (about 10 percent) of farm family diets would be rated as "poor." But in 1952 two-thirds of the farm diets could be classed as "good or excellent," compared with only a little over half in 1936.

### Conclusions

These charts show greater dependence on purchased foods, although a substantial proportion of the food consumed in farm households is still supplied by the home farm. This means a diet higher in cost. The charts also show an average diet of higher nutritive value.

Barring marked decline in income or drastic changes in our national economy, neither of which we now anticipate, we would expect the trend toward increased dependence of the farm family on food purchases to continue -- more food away from home, more expensive kinds of foods at home, and greater use of prepared and partially-prepared foods -- although probably at a slower rate than heretofore. It could mean that the differences between farm and city families in food consumption illustrated here (Chart 16) will narrow.

For those families needing to cut expenses the trend toward expanding purchases could be interrupted, but on the whole home production probably would not increase. Those already home producing milk, poultry, potatoes, or eggs, for example, as a majority of the families in this region do, don't now buy these foods. They need not produce larger amounts since they already use more of them than the average farm family that must buy them. Nor are they likely to undertake production of foods not now produced for home consumption or sale. In any case, we have seen that increased home production does not always mean a decrease in money spent for food.

The farm family wishing to cut food bills will probably stress better selection among purchased foods rather than expand home production and food preservation which are already at a high level. Some items -- coffee, flour, sugar, etc. -- will have to be bought if they are used, and even families producing their milk are not likely to go back to churning their own butter. But they may find it possible to choose less costly foods.

It is possible also to make better use of home production, and to adjust the diet pattern to make foods produced in abundance substitute for others that have to be bought. In the North Central region, where relatively large quantities of home-produced milk, meat, eggs, and other foods supply generous amounts of important nutrients, it is easier to economize without adverse effect on dietary levels than in a region where there is less home production as well as lower income.

Chart 1

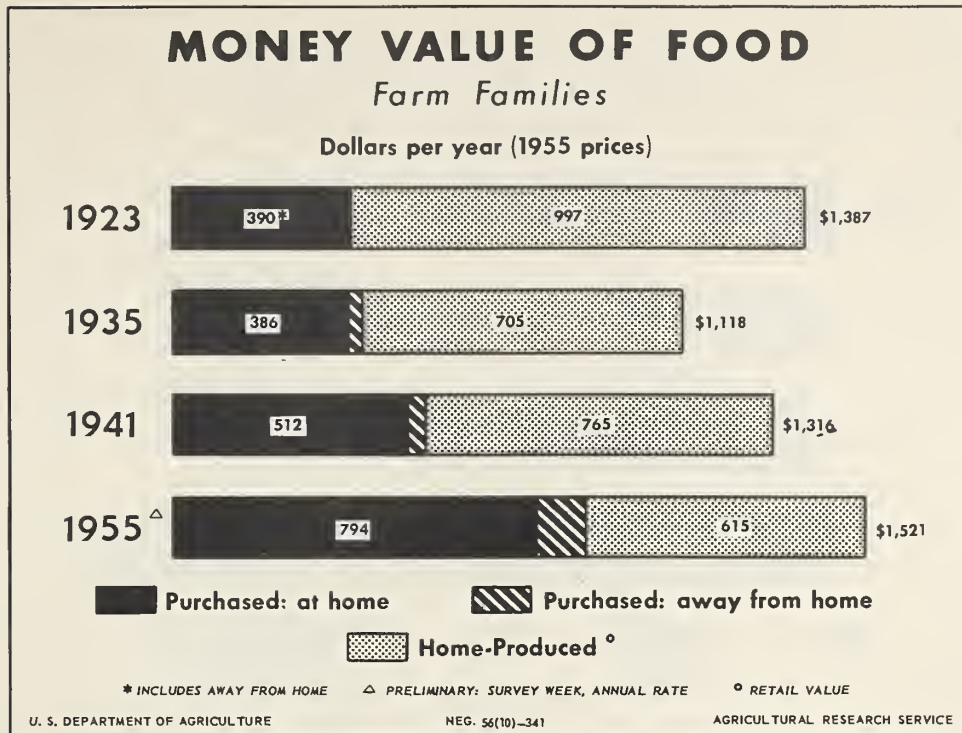


Chart 2

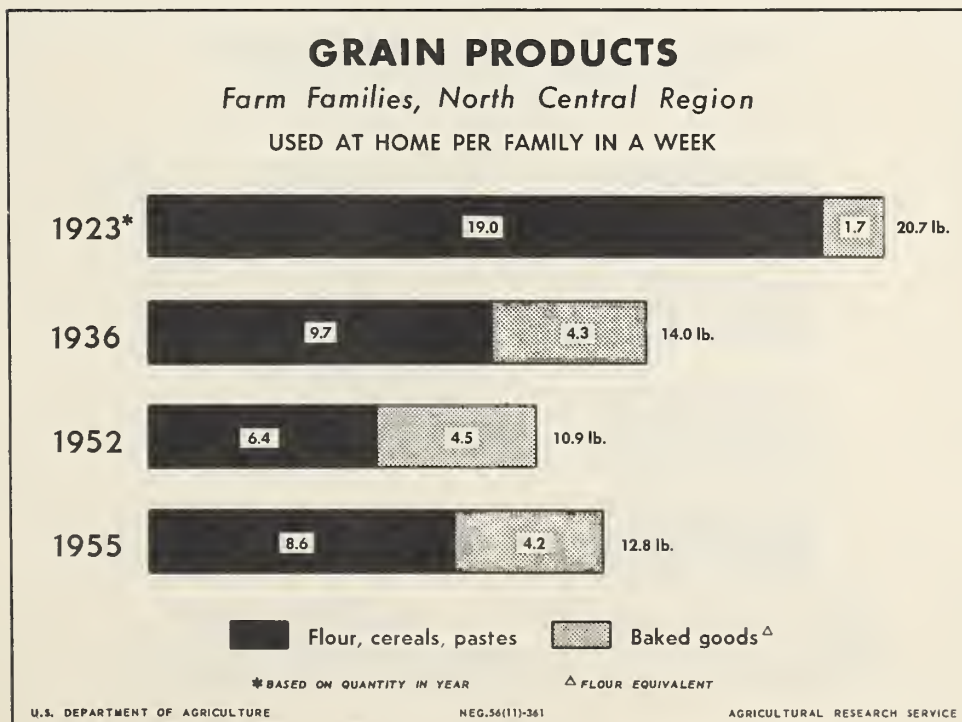
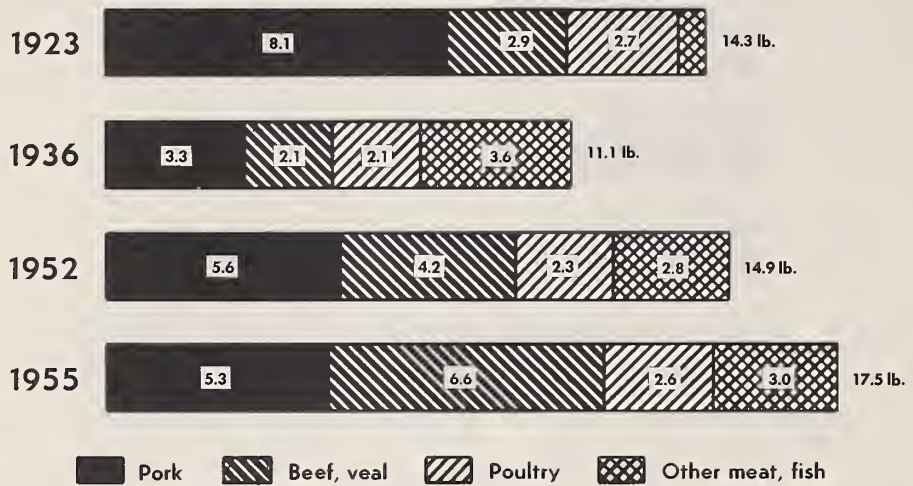


Chart 3

## MEAT, POULTRY, FISH

### Farm Families, North Central Region

USED AT HOME PER FAMILY IN A WEEK



U. S. DEPARTMENT OF AGRICULTURE

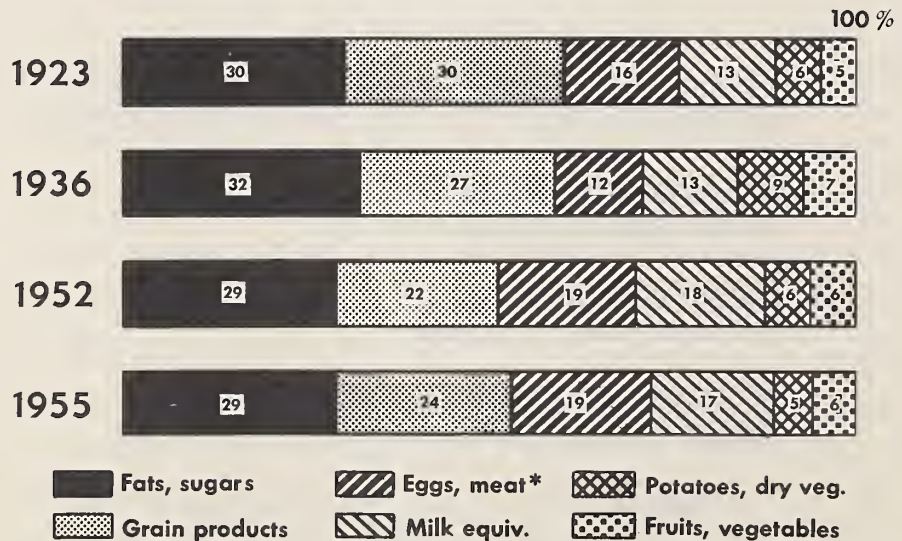
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AGRICULTURAL RESEARCH SERVICE

Chart 4

## SOURCES OF CALORIES

### Farm Families, North Central Region



\* INCLUDES POULTRY AND FISH

U. S. DEPARTMENT OF AGRICULTURE

NEG. 56(10)-344

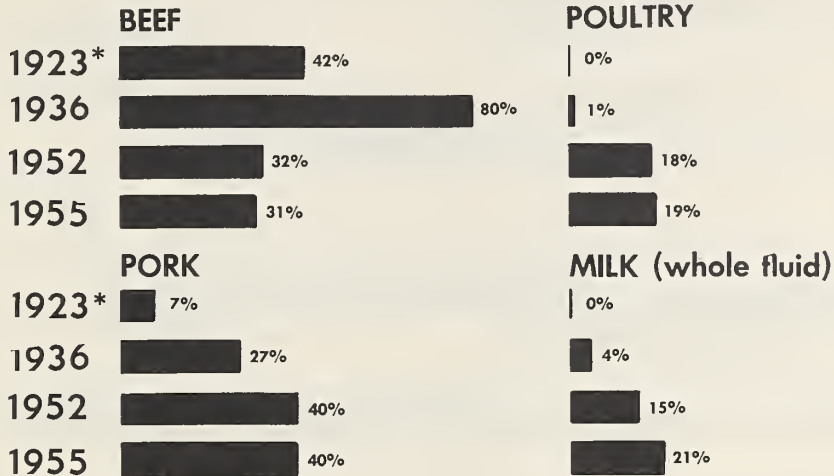
AGRICULTURAL RESEARCH SERVICE

Chart 5

## FOOD PURCHASED

*By Farm Families, North Central Region*

Food used in a week, % purchased



\* BASED ON FOOD USED IN A YEAR

U. S. DEPARTMENT OF AGRICULTURE

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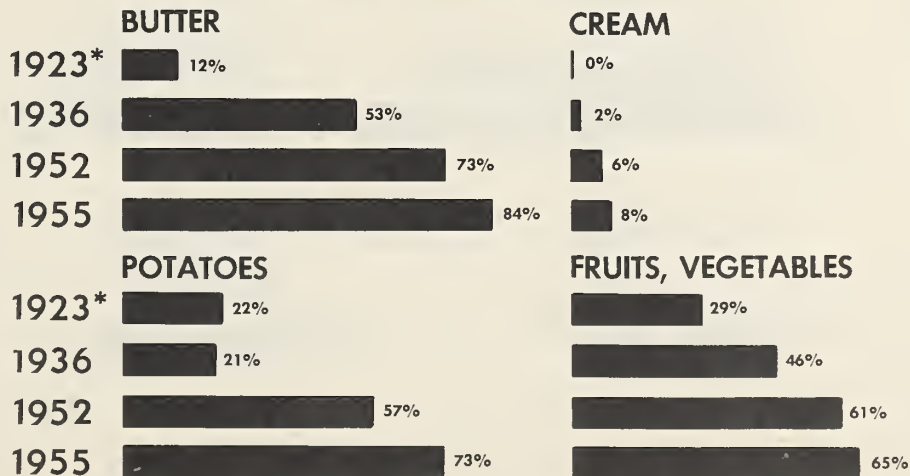
AGRICULTURAL RESEARCH SERVICE

Chart 6

## FOOD PURCHASED

*By Farm Families, North Central Region*

Food used in a week, % purchased



\* BASED ON FOOD USED IN A YEAR

U. S. DEPARTMENT OF AGRICULTURE

NEG. 56(10)-343

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Chart 7

# HOME FREEZERS

On Farms

SOUTH



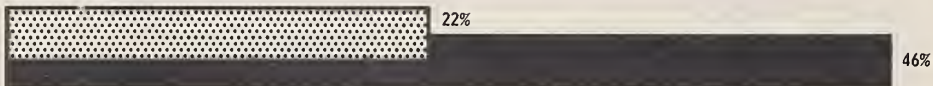
NORTH CENTRAL



WEST



NORTHEAST



1950  
1954

SOURCE: BUREAU OF THE CENSUS

U. S. DEPARTMENT OF AGRICULTURE

NEG. 56 (10)-338 AGRICULTURAL RESEARCH SERVICE

Chart 8

## FOODS PURCHASED

By Farm Families, North Central Region

FAMILIES BUYING IN A WEEK

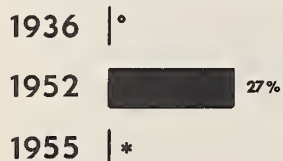
BREAD



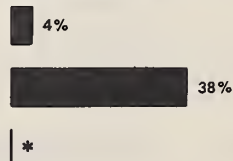
BUTTER



FLOUR MIXES <sup>△</sup>



MARGARINE



\* DATA NOT YET AVAILABLE

<sup>△</sup> CAKE, PANCAKE, MUFFIN, ETC.

° DATA NOT AVAILABLE

U.S. DEPARTMENT OF AGRICULTURE

NEG.56(11)-356

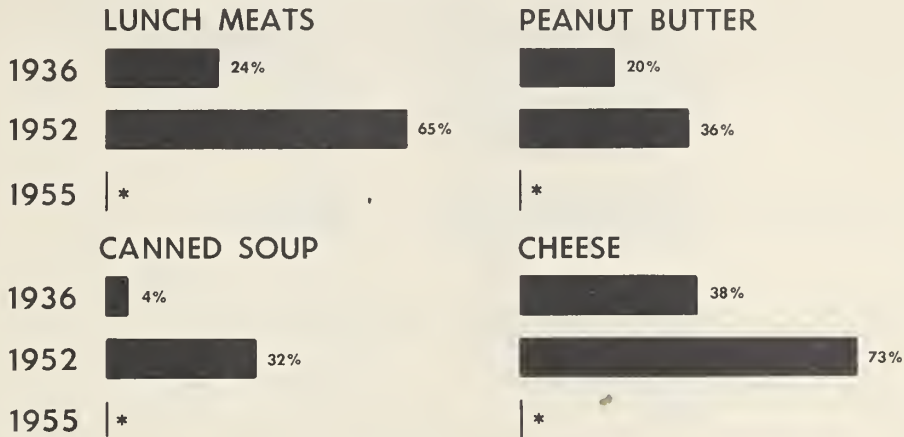
AGRICULTURAL RESEARCH SERVICE

Chart 9

## FOODS PURCHASED

*By Farm Families, North Central Region*

FAMILIES BUYING IN A WEEK



\* DATA NOT YET AVAILABLE

U.S. DEPARTMENT OF AGRICULTURE

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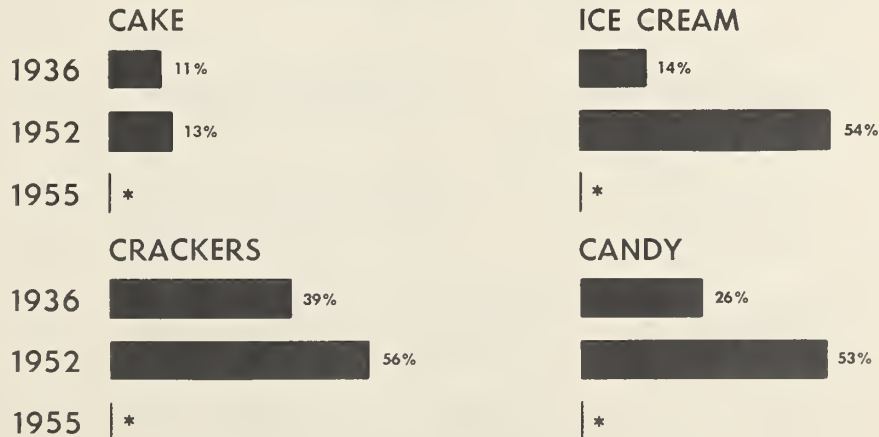
AGRICULTURAL RESEARCH SERVICE

Chart 10

## FOODS PURCHASED

*By Farm Families, North Central Region*

FAMILIES BUYING IN A WEEK



\* DATA NOT YET AVAILABLE

U.S. DEPARTMENT OF AGRICULTURE

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Chart 11

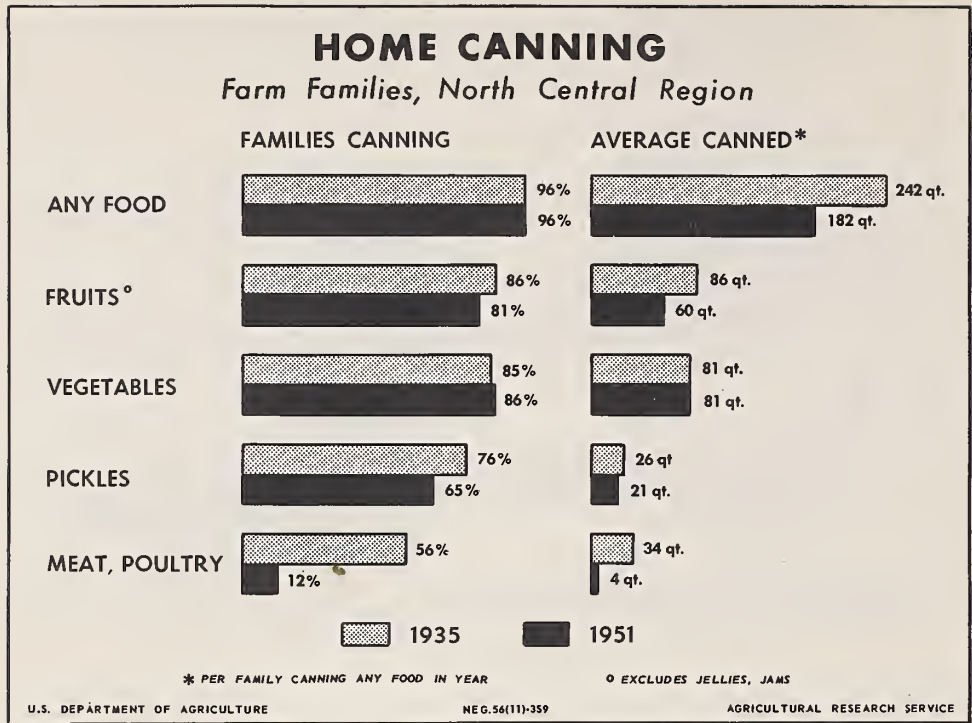


Chart 12

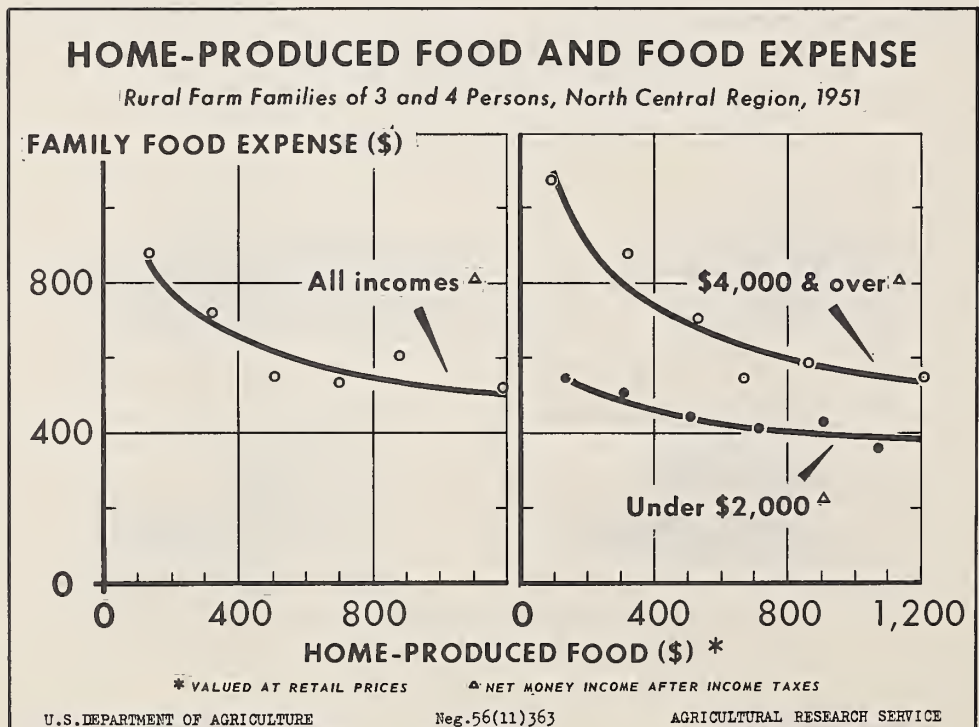


Chart 13

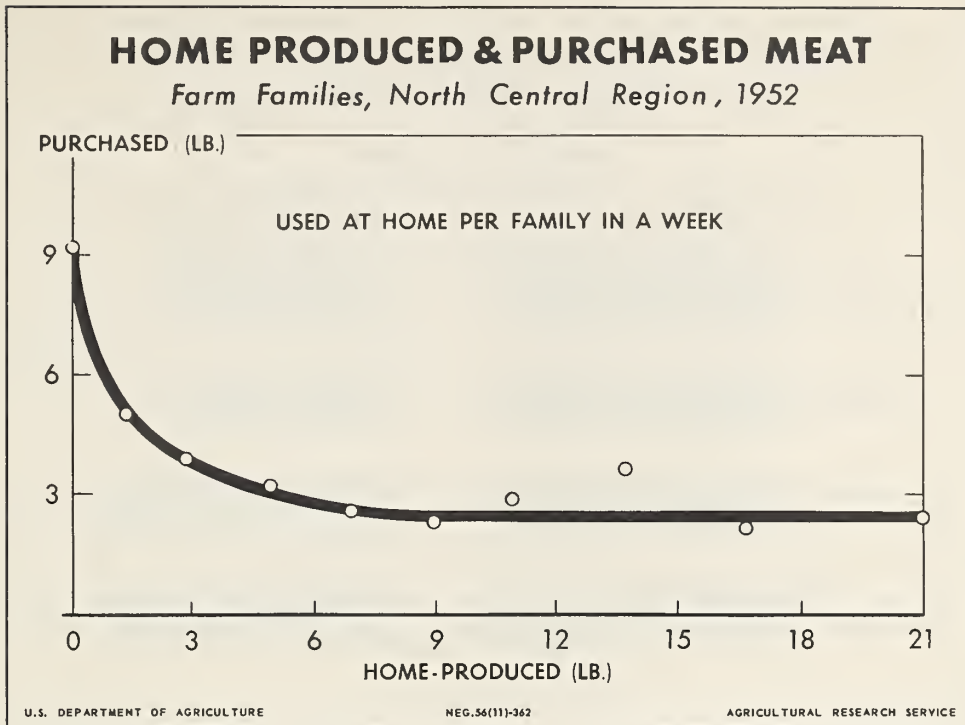


Chart 14

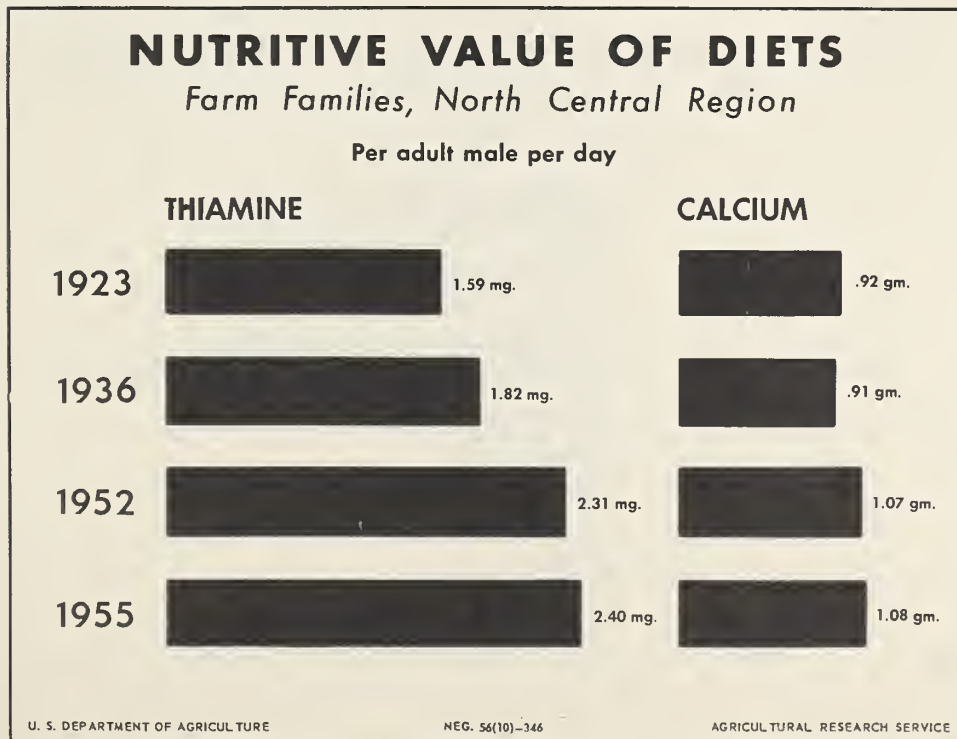


Chart 15

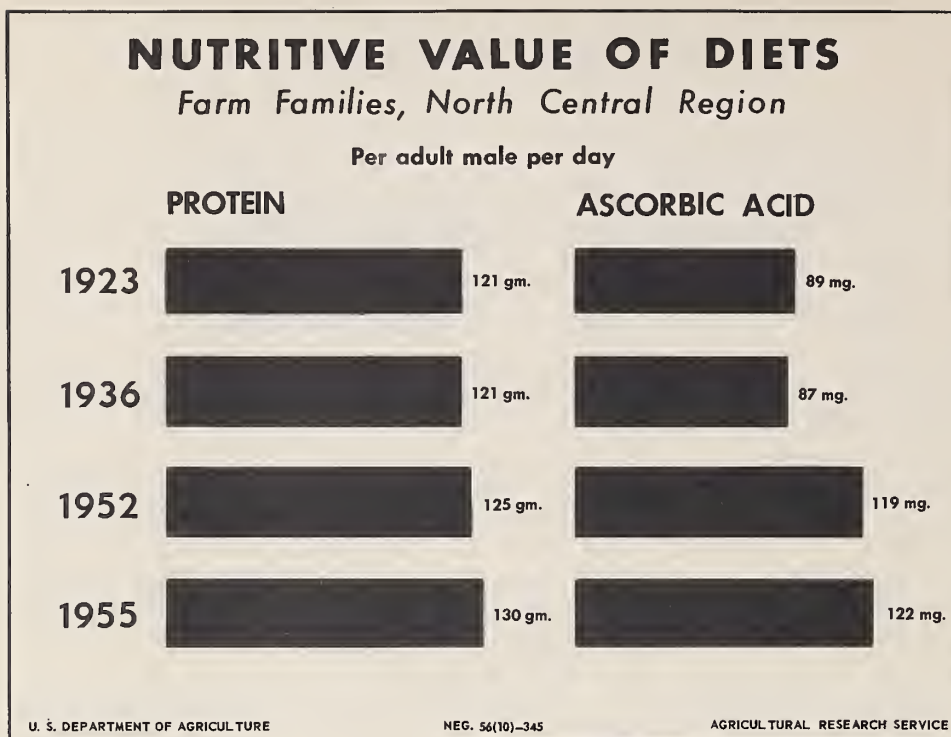
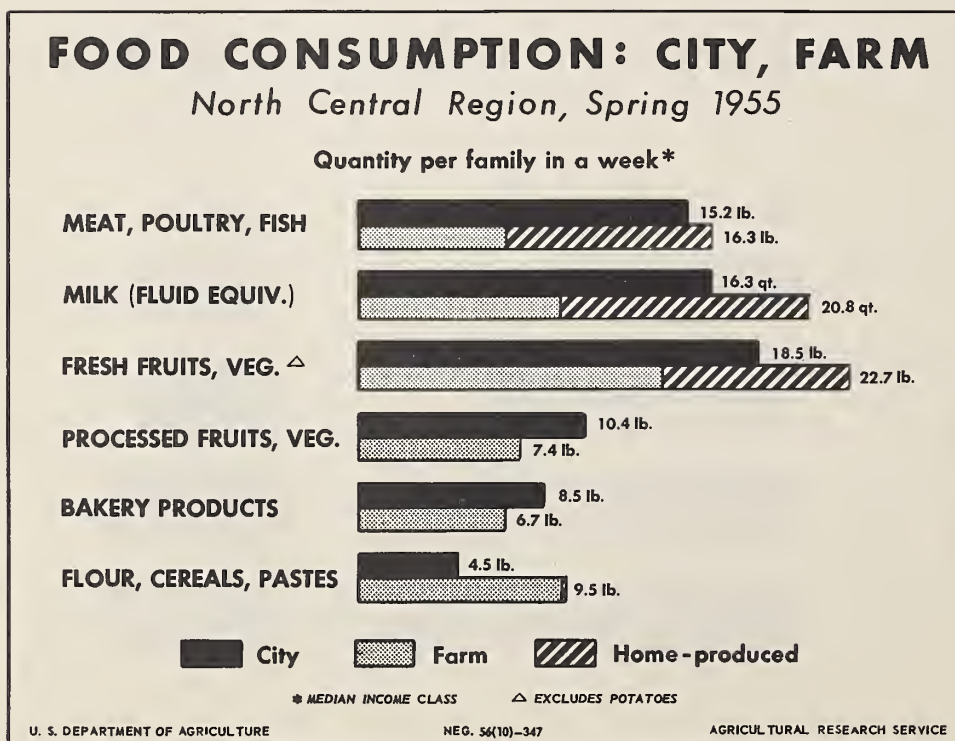


Chart 16



UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

TRENDS IN MARKETING COSTS AND PRACTICES  
- The Longer Term Outlook -

Talk by Kenneth E. Ogren  
Marketing Research Division  
at the 34th Annual Agricultural Outlook Conference  
Washington, D. C., November 27, 1956

The outlook for marketing costs in the coming year is a continuation of the steady rise of recent years. On the basis of past experience and present economic indications, no early reversal of this trend can be foreseen.

With respect to the longer term outlook for marketing costs, the following projections seem likely:

1. Services performed by the marketing system in getting products from the farm to the consumer in the time, form, and place desired will increase relative to services performed by farmers in producing the raw materials needed.

2. The number of workers employed in the processing and distribution of farm products, as well as the total resources used by marketing firms, will increase relative to workers and resources in agriculture.

3. The total costs for processing and distributing farm products will increase relative to agricultural production costs. Or, stated in more familiar vernacular, marketing costs will make up an increasing share of the consumer's dollar.

If we assume an expanding economy with rising real incomes, as Mr. Cavin has projected for us this morning, none of these propositions should be startling. With higher incomes and further technological advances, services that consumers want and get with their food products are likely to increase at a faster rate than farm inputs in the form of raw materials going into these foods.

My discussion and charts this morning are primarily about food, not only because more data are available for food products but because these products account for 80 to 90 percent of agriculture's returns from farm products sold to domestic civilian consumers. Also, a note on terminology. My use of "marketing" includes all processing, distribution, transportation, and other services performed after sale of agricultural products by farmers. In other words, it is an "institutional" separation by agriculture and nonagricultural groups rather than on a strictly functional basis.

More Marketing Services

A precise quantitative measurement of marketing services is not available. But, with the increasing importance of processed and prepared foods, purchased meals, and the general trend towards an "urbanized"

economy, there is not much doubt about the growing importance of these services. These added services have been a major factor in maintaining food expenditures at around one-fourth of consumer income over the last two decades.

In a recent AMS study of the long-run demand for farm products, the demand for services was estimated to be around five times as responsive to changes in income as the demand for food products at the farm level. <sup>1/</sup> Increases in per capita real income of 50 percent or more by 1975 were projected in this study. Substantial increases both in workers and resources will be needed to provide the additional marketing services indicated by projected increases in incomes and population.

Except for the depression in the early 1930's, the number of workers in marketing food have increased steadily while the number in agriculture have shown an almost continuous decline (fig. 1). The number of workers in marketing is likely to continue to increase, with a rise of one-third to one-half possible by 1975. With continued increases in productivity, the number of workers in agriculture is likely to be less in 1975 than at the present time.

Note that the lines on this chart are index numbers and are not comparable in terms of actual numbers. In marketing, only food is included — estimates based on census data indicate that more than 5 million workers are engaged in the processing and distribution of food products with at least 10 million for all farm products. These are equivalent full-time workers. The number of workers in marketing agricultural products now exceeds that in agriculture by several million, but direct comparisons cannot be made from available series.

The next chart compares dollars going to marketing agencies for processing and distributing food with dollars going to agriculture (fig. 2). The food-marketing bill has increased steadily since the mid-1930's while agriculture's share, as is typical, has fluctuated more. If we smooth out the peaks in the agriculture line that are associated with World War II and the Korean conflict, we have a pattern of the marketing bill increasing relative to farmers' returns. In 1955, the proportion of consumers' farm food expenditures going to agriculture was less than in any year since the early 1930's. In this chart I am using estimates that involve all marketing services between the farm and the consumer, including those for meals eaten away from home. It is not the usual marketing-bill measurement of farm-to-retail-store charges that may be familiar to some of you.

With workers and services in marketing increasing relative to those in agriculture, we can expect total returns to marketing agencies to increase relative to total returns to farmers. Projections to 1960 indicate that the marketing total may increase another 6 or 7 billion dollars, or about 20 percent over the 1955 level of 32.5 billion dollars. This assumes that marketing costs per unit of product marketed may continue to rise by the

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<sup>1/</sup> Daly, Rex F., "The Long-Run Demand for Farm Products," Agricultural Economics Research, VIII. 3:73-91, July 1956.

current rate of 1 to 2 percent per year, that volume of food products marketed will increase by a total of 8 to 9 percent between 1955 and 1960, and that some additional costs will come from increased services. The 1955 figure of 18.3 billions to agriculture would not rise much above 20 billion unless there were marked changes in the level of farm prices.

Many of you are in the forecasting business in one way or another, so I need not worry that you will be too impressed with the sanctity of any of these projections. The more significant part of this longer term outlook for more services, more resources, and more dollars for marketing is a recognition of the dynamic factors in our economy that cause these changes and resulting adjustments that affect both agriculture and marketing.

### Population Growth and Suburbanization

Population growth is always a key factor, as it increases the overall demand for marketing services and the facilities and resources needed. But changes in the composition of our population are of special significance to marketing. Between 1940 and 1955 the total population increased 25 percent with nonfarm population rising over 40 percent and the farm population shrinking 23 percent (fig. 3). The gain in the nonfarm population was primarily responsible for a 43 percent increase in the volume of farm food products going through the marketing system. Farm families get a sizable proportion of their food supply from their own production and for the food they do buy generally less processing and packaging is used. But people on farms are increasing their food purchases and also buying more services with their food.

"Suburbanization" is the most striking development of our population growth in recent years. Between 1950 and 1955, practically all of the 12 million growth in population was accounted for by the gain in the population of the 168 standard metropolitan areas. Population in the central cities of these metropolitan areas increased 2 million, or 4 percent; the areas outside the central cities -- the suburbs -- increased by more than 9 million, or 28 percent. These suburban areas have required new stores and other facilities with large investments. Indirectly, these developments have probably provided the greatest stimulus to the rapid growth of modern supermarkets, large mechanized warehouses, and other facilities that at the same time have made obsolescent many of the existing facilities in areas of little population growth.

These trends toward suburban living have been accelerated during recent years and there is every reason to expect that these population shifts will continue.

### Technology

Technological developments in food processing and distribution by their very nature are almost impossible to predict over any long period. But as they do have profound effects on agricultural production and consumer demand as well as marketing, the potential effects of technological innovations need continual appraisal. One of these is radiation sterilization for preserving perishable foods. Like many other potential developments, it may seem quite remote at present but, if perfected, it would have far-reaching effects.

The rapid growth of the frozen food industry has been sparked by technological developments as well as greater consumer demand for processed foods. As shown in the chart, fruits and vegetables constituted the major part of the industry output following World War II (fig. 4). Beginning in 1949, citrus juice concentrates, principally orange juice, gave a big push to the industry. Recently the most rapid increase has been in prepared foods, which includes a wide variety of foods such as poultry and meat potpies, frozen potato products, and frozen prepared dinners. A sizable proportion of poultry is frozen but relatively little red meat. However, a large expansion in the freezing of red meats is possible over the next few years which, if realized, would have special implications for livestock producers, meat packers, and retailers as well as all parts of the frozen food industry. 2/

### Marketing Practices and Institutions

Food retailing is one of the many segments of our economy going through a significant metamorphosis. Data now available from the 1954 census provide some striking comparisons. Retail food stores are getting larger. In fact, the average size increased so much that despite the large increase in total sales between 1948 and 1954 the number of stores declined more than 20 percent (fig. 5). The number of grocery stores with annual sales of over 1 million dollars more than tripled between 1948 and 1954. These large stores were still less than 2.5 percent of the total number of grocery stores in 1954 -- 6,000 out of 270,000 -- but they accounted for almost one-third of total sales. Average sales per retail store (deflated for price change) increased more than two and one-half times between 1939 and 1954, with a large part of that increase occurring between 1948 and 1954 (fig. 6). The number of workers in grocery stores increased over this 15-year period but sales per worker were up by more than 50 percent (fig. 7).

These trends are likely to continue. Large potential growth exists both in the average volume per store and sales per worker. The average sales volume of \$123,000 per store in 1954 was only a fraction of the annual sales of a typical supermarket. The supermarket will be, even more than today, the predominant outlet for farm produce.

Mergers in recent years have speeded up the growth in size of food retailing firms. A trade paper reported that during last year through mergers 30 grocery companies acquired 1,610 stores mostly supermarkets. Chain stores, however, do not seem to be taking a significantly larger share of the grocery business. Many independents have met chain-store competition by joining wholesaler groups that give them the advantages of large-scale buying. Both chains and these wholesaler groups to an increasing extent either process their own products or contract for processing under their own private brands. Thus, the market for farm products will be increasingly concentrated among a smaller number of firms.

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2/ A comprehensive review of the outlook for frozen foods is given in the current Outlook Issue of The Marketing and Transportation Situation, MTS-123, pp. 17-43.

The merchandising practices of many of these retailing firms together with their large sales volume require the delivery week after week of large lots of produce of a uniform quality. To help them accomplish this, some of these large firms have been making increasing use of Federal inspection services and grades. The need for larger lots of farm products will favor the larger production areas which often are far from major consuming centers over fruit and vegetable farmers and other farmers in nearby market areas.

Changes in the structure of the food processing industry also are likely to have impacts on marketing and agriculture. Plants are increasing in size; economies of scale have been the principal stimulus. Over the last decade processors have made large investments in plant and equipment (fig. 8). Investments were especially large during 1947 to catch up after World War II but they have remained at the high level of around 3/4 billion (in 1955 dollars) in recent years.

The wider application of automatic machinery may accentuate the trend toward larger plants. This will increase the need for a large volume and steady flow of raw materials within an area of relatively low transportation costs. In some cases this may lead to more processor control over production of raw materials through farm ownership or more closely supervised contracts with growers.

#### Costs and Productivity

To many observers it may seem that the marketing system is running faster and faster but losing ground all the while. From 1952 through 1955, the general price level, as measured by the Wholesale Price Index, was stable; however, unit marketing costs (gross marketing margins), as measured by the "market-basket" price-spread series, increased from 1 to 2 percent each year. Actually, the sliding off of prices of the raw material subgroups of the WPI was what kept this index, as well as the Consumer Price Index, relatively stable. The components of the WPI for articles bought by marketing firms, such as paperboard and paperboard products, metal and glass containers, machinery and motor vehicles, and other manufactured or semimanufactured articles, have increased steadily. This trend is shown by the line "other costs" in chart 9. Considering the rise in prices of factors used by marketing firms, the average annual rise in unit marketing costs of 1 to 2 percent in recent years is relatively small (fig. 9). Most of the sharp decline in the farmer's share of the consumer's food dollar which has received so much attention was the result of lower farm prices rather than higher marketing costs.

In projecting an increase of some 20 percent in the food marketing bill over a 5-year period, I assumed a continued gradual increase in unit marketing costs. The actual changes are obviously going to be tied to trends in the general price level. Even with a fairly stable price level, however, it would appear that the pressure on marketing margins and costs will be mostly upward. Marketing margins have been traditionally inflexible in comparison with farm-product prices. Higher taxes, higher depreciation charges on plant and equipment, wage contracts, minimum wages, and occasionally

guaranteed annual wages are all contributing to less flexibility in the costs making up these margins. Nearly all transportation charges were increased this year, with new increases in rail freight rates of up to 22 percent now being petitioned by most of the nation's railroads. Hourly earnings of food marketing employees have been increasing steadily by 4 or 5 percent annually, in addition to increased fringe benefits, and may continue to increase at that rate. (Wages in the textile industries have not kept pace with the food industries, partly because of the less favorable demand for these products and associated regional "recessions.") Not all parts of the food industry are likely to be able to offset these increases by greater productivity. The prospect for continued cost increases adds to the pressure for replacing outmoded and obsolescent facilities and equipment, although replacement of them adds to depreciation costs and the investment cost structure.

Productivity changes in marketing are difficult to measure precisely. Because of the higher proportion of personal services in retailing, it may be reasonable to assume that productivity may lag somewhat behind that in the agricultural and manufacturing segments of our economy. However, an earlier chart on retailing pictured a substantial increase in sales per retail worker. The number of workers in food processing, according to census figures, has remained almost constant over the last 5 years, with a large increase in food processed. We see by the next chart that labor costs per unit of product marketed have increased by a considerably slower rate than wage rates (fig. 10). Furthermore, the data, although not conclusive, point to a relatively greater increase in labor output in recent years than in the immediate postwar period. This may represent in part the cumulative effect of large postwar investments. But this may be offset in part by higher capital expenses. Data available from the Commerce Department indicate that capital consumption allowances (mainly depreciation charges) represent an increasing share of corporate gross product. (Data are for all corporations, not just food-marketing firms.)

I have given this morning a broad sweep of several factors that are likely to affect the longer term outlook for marketing costs and practices. Many others have been left out. Inadequate historical data in some cases make predictions of the future impossible. Nevertheless, we can be certain of changes that will create problems, some of which may be solved by research workers and others which may involve policy decisions outside both the area of research and managerial decisions. Through an organized and continuing appraisal of the marketing situation, however, we should be able to provide information to farmers, marketing agencies, and consumers as well as public policy groups that will facilitate and expedite adjustments to these changes in an expanding economy.

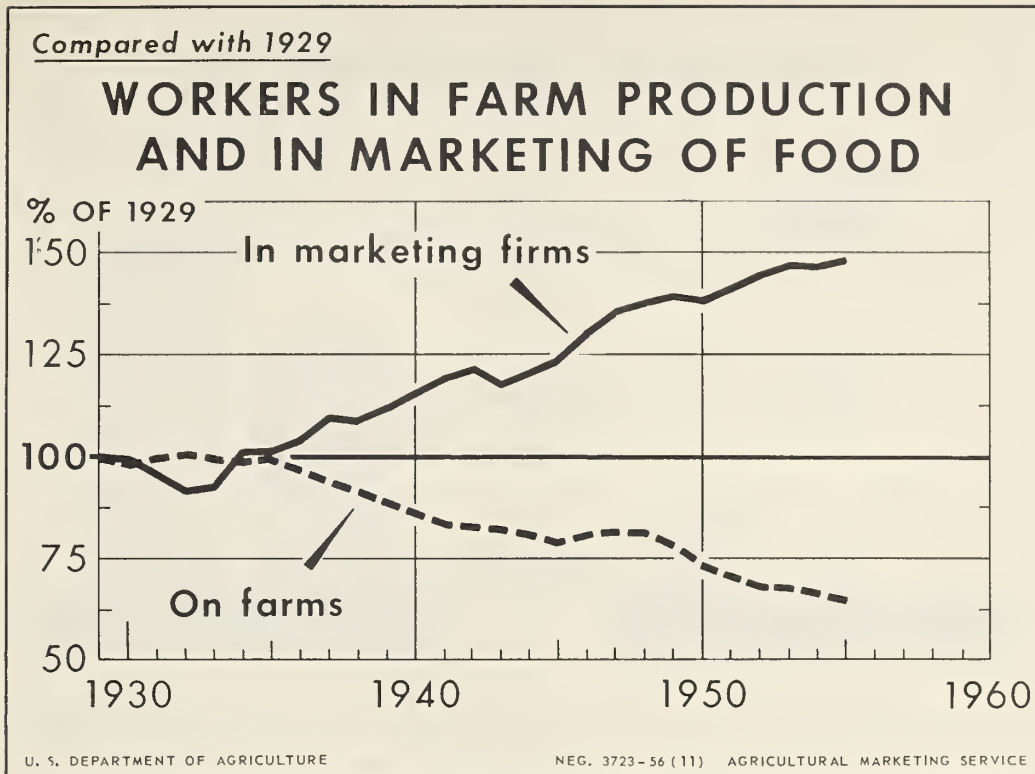


Figure 1.

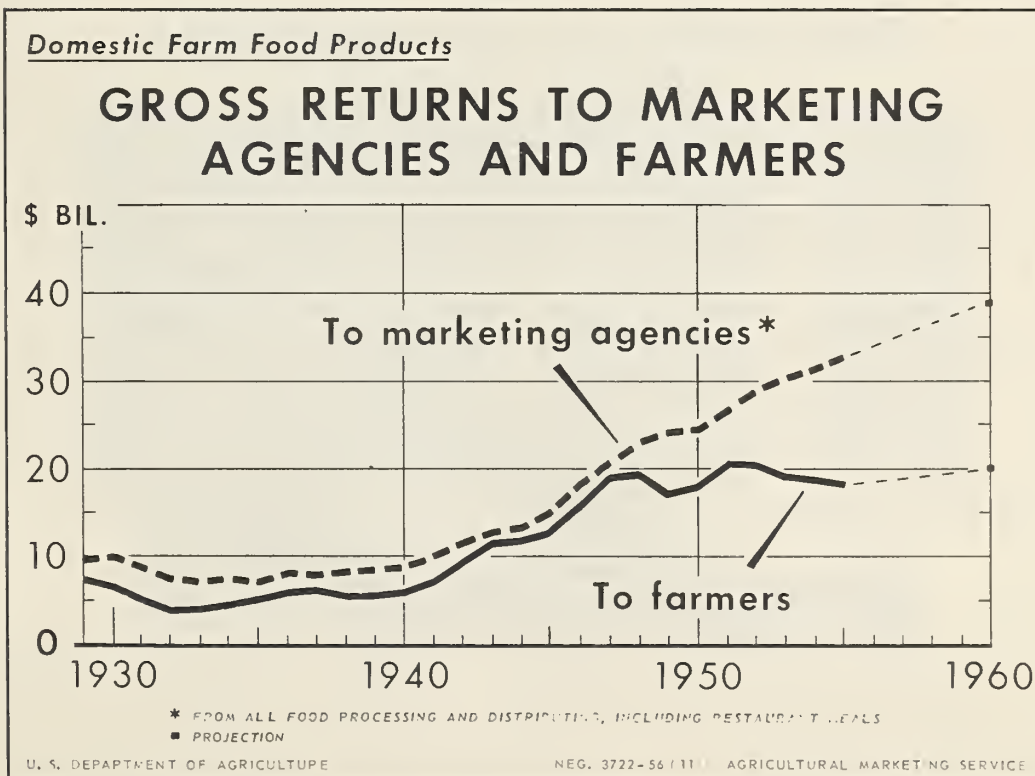


Figure 2.

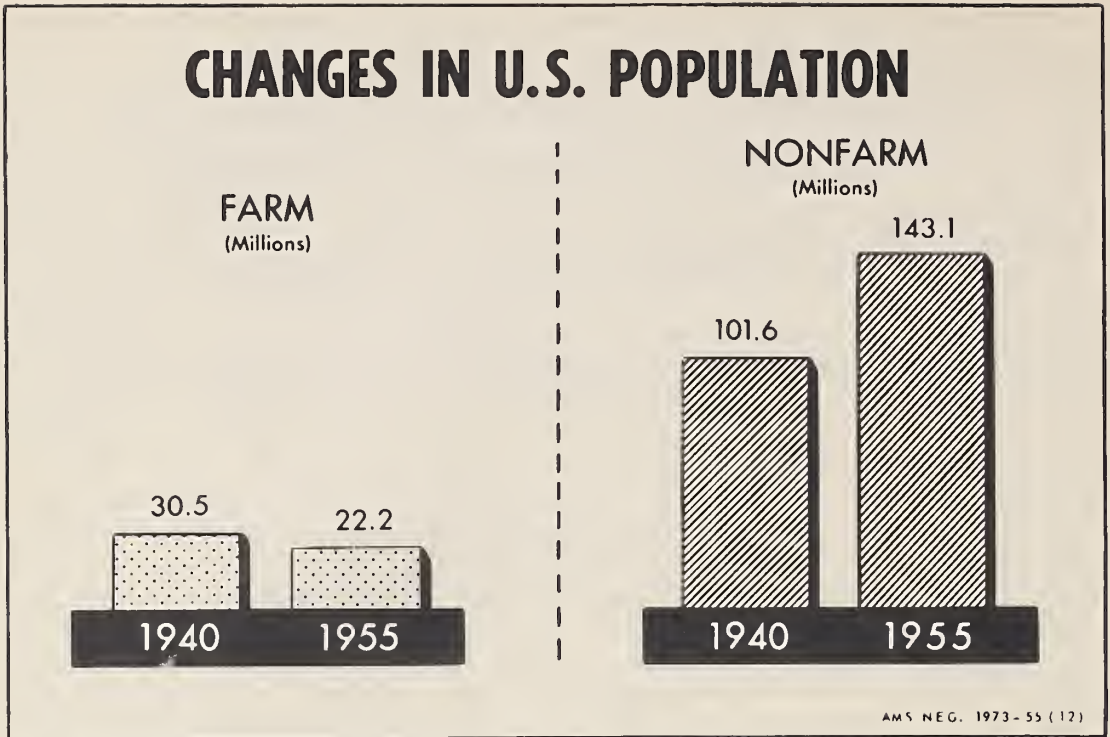


Figure 3.

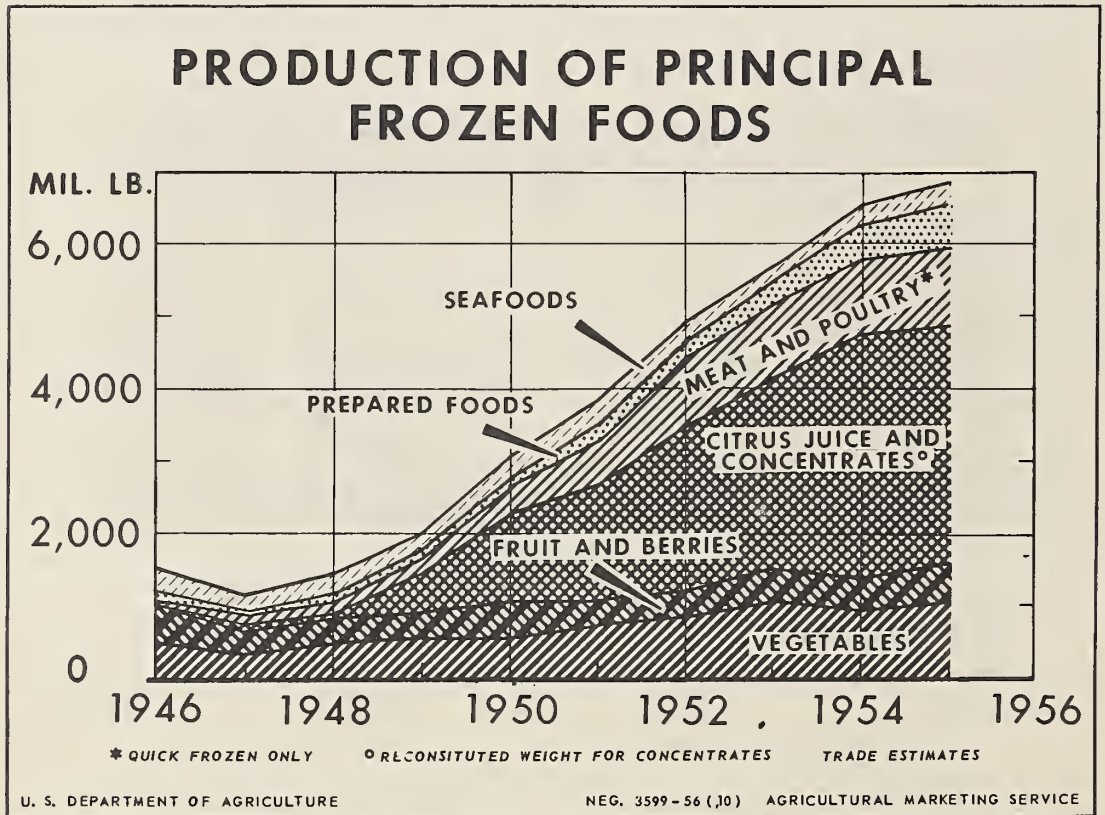


Figure 4.

## RETAIL GROCERY STORES



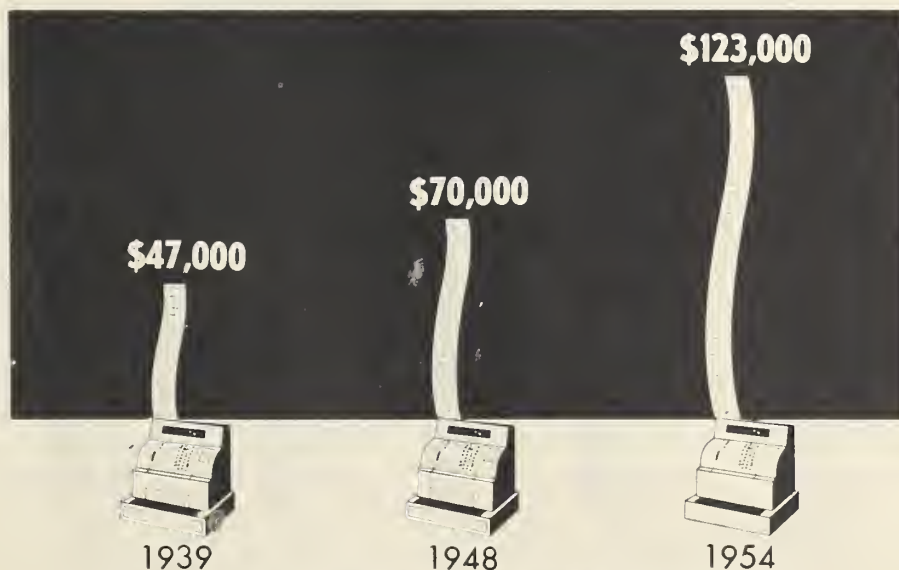
U. S. Department of Commerce, Bureau of the Census.

U.S. DEPARTMENT OF AGRICULTURE

AMS NEG. 3540-56 (9)

Figure 5.

## AVERAGE SALES PER RETAIL GROCERY STORE



Based on Bureau of the Census data. Sales in terms of 1954 retail food prices.

U.S. DEPARTMENT OF AGRICULTURE

AMS NEG. 3539-56 (9)

Figure 6.

***In Retail Grocery Stores***

**AVERAGE SALES PER WORKER**



Based on Bureau of the Census data. Sales in terms of 1954 retail food prices.

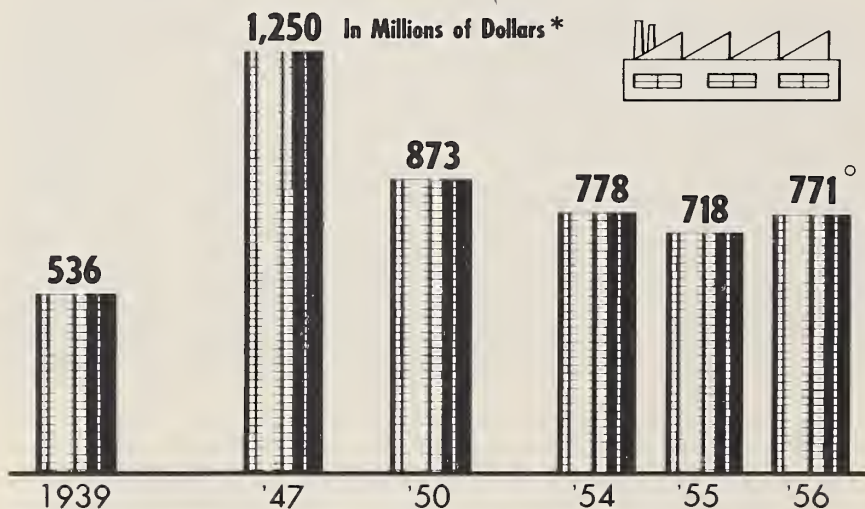
U.S. DEPARTMENT OF AGRICULTURE

AMS NEG. 3541-56 (9)

Figure 7.

***Food and Beverage Manufacturers***

**PLANT AND EQUIPMENT INVESTMENT**



\* Estimates in 1955 dollars (except that for 1956) derived from Dept. of Commerce and Securities and Exchange Commission data.

° Preliminary

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AMS NEG. 3542-56 (9)

Figure 8.

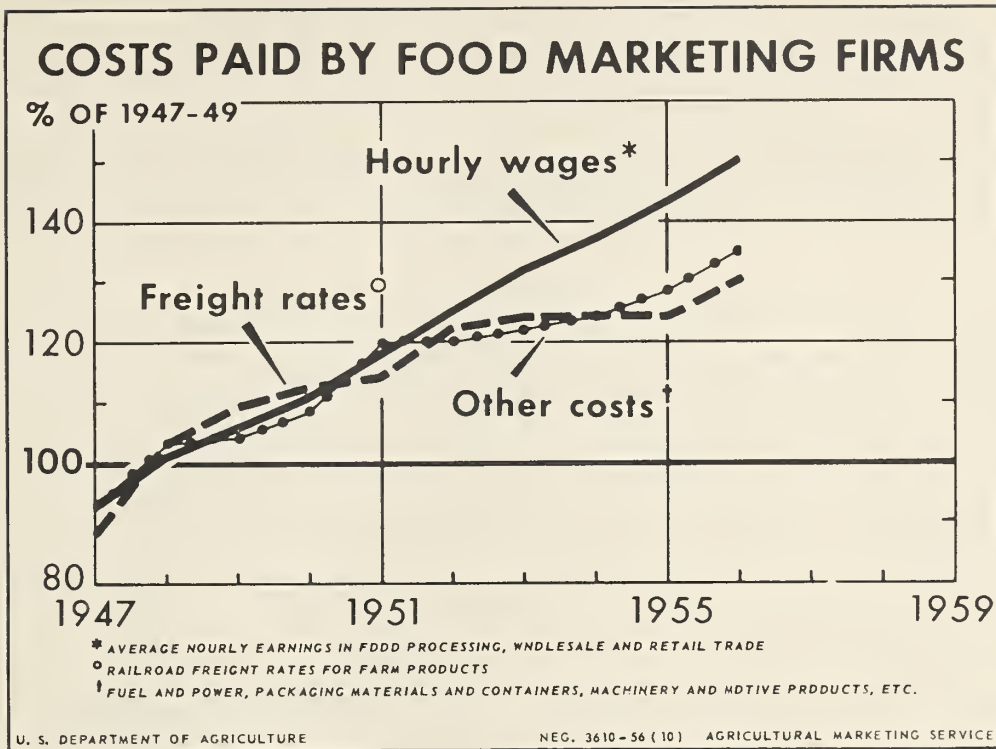


Figure 9.

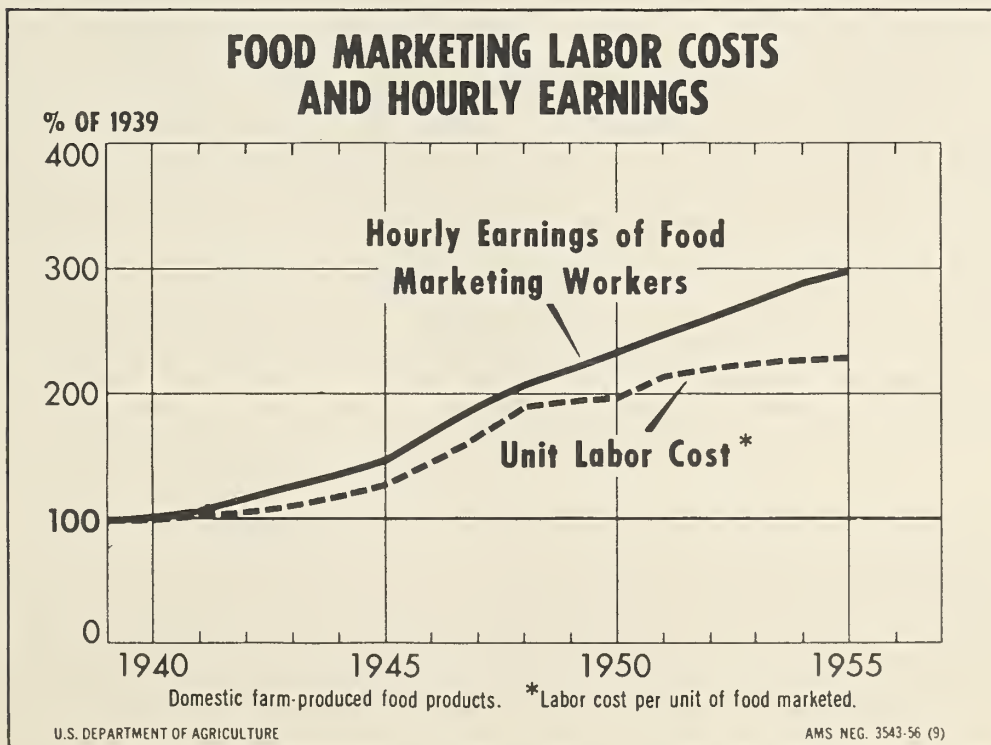


Figure 10.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service  
Production Economics Research Branch

TRENDS IN PRODUCTION, COSTS, AND TECHNOLOGY

Talk by Carl P. Heisig, Chief, Production Economics Research Branch, ARS,  
at the 34th Annual Agricultural Outlook Conference, Washington, D.C.  
November 26, 1956

The longer term outlook for agriculture obviously is of great importance and concern to farmers and to those interested in the welfare of farmers. Obviously, also, no one possesses a crystal ball that permits him to foresee events ahead. In the words of a current song hit, "The future's not ours to see" -- though we may not necessarily agree with what follows -- "Que sera, sera -- what will be, will be." Be that as it may, some recent work of economists in the Department does give some clues as to likely directions and degrees of change in future demand and production needs in agriculture. Likewise, we have some understanding and measurement of the forces that have affected and shaped the structure of American agriculture in recent years, so that we can anticipate to some extent the kind of changes that may be expected in the years ahead. My comments will be directed toward a brief review and analysis of these data and some attempt at interpretation of the longer term outlook for production, costs, and technology.

The trends and longer term outlook on the demand side were discussed by the previous speaker. I shall take a few moments to relate this demand outlook to the size and nature of the production job ahead for farmers. Under the specific assumptions made with regard to growth in the economy and the upward trend in population, the volume of farm output needed in 1975 may be about a third larger than the output in 1951-53 (fig. 1). Annual increases required in farm output between the two dates may be half again as large as occurred during the 40 years from 1910-12 to 1951-53, and about a fifth greater than the annual increase that has occurred since the end of World War II (fig. 2). It should be noted that much of the annual increase in output in years past came from the release of some 70 million acres of cropland and large quantities of other resources to production of agricultural commodities for human use as tractors and motor vehicles were substituted for horses and mules. Increases in output from this source will be minor in the future. In terms of the other available means of increasing output, the job ahead thus becomes about double the annual increases attained in the long run and since World War II.

The next two charts (figs. 3 and 4) show the projected needs for 1975 for specified livestock items and selected crops in terms of percentage change from 1951-53 and from 1955. Increases in needs for meat animals and poultry may be greater than the increases needed in production of milk. Projected needs for all livestock production may be about 45 percent above production in 1951-53 and about a third above expected production in 1956.

Projected needs for crop production vary considerably among crop groups. The substantial increases in needs for feed grains, hay, and pasture are a reflection of the projected increased needs for livestock production. Projected needs for food grains by 1975 are substantially below the quantities produced in 1951-53 before allotment programs were in effect. Only a moderate increase in the quantity of cotton produced may be needed.

When we consider the needs for agricultural production during the intermediate period of the next 5 years, it is apparent that the timing of needed adjustments will vary greatly. Only a relatively small increase in total output will be needed by about 1960, mainly because farm output during the last few years has been in excess of market requirements. We can expect moderate increases in the need for livestock production during the next 5 years but production needs for such crops as wheat and cotton will be little above current production levels if we expect to balance supply with demand.

For the longer term needs of 1975, these projected production needs for crops and livestock would require large additional acreages of cropland if this were the only way to meet them. Some increases in cropland will occur during the next generation from irrigation, drainage, and land-clearing developments, but most of the needs will be met by further adoption of new technologies through the route of improvements in yields and efficiency.

Our economists, working with the ARS scientists, have made some estimates of economic attainable yields by 1975, based on presently known technologies and economic levels of adoption by farmers. When these are translated into the projections of harvested acreage needed, we get the following general picture of change in land use by 1975: (1) Harvested acreage of corn -- about 4 million acres less than in 1956, (2) other feed grains -- also several million acres less, (3) soybeans -- about 3 million acres less than the large acreage of 1956, (4) wheat and cotton -- acreage about where it is today under allotment programs, and (5) hay -- acreage up about 13 million acres. These 6 crops account for around 90 percent of the harvested cropland. Pasture requirement in terms of average cropland equivalent will increase by about 35 million acres, even after allowing for attainable increases in pasture outturn per acre. Adjustments that will be needed in the acreages of these crops and in pasture thus constitute essentially the adjustment problem so far as use of acreage is concerned.

These rough estimates assume no increase in efficiency in use of feeds by livestock. Although in the past, gains in efficiency in this area have been small, livestock specialists are constantly working on the problem, and they anticipate considerable improvement over the years. To the extent that these improvements in feeding efficiency develop, the acreage needs for feed grains, hay, and pasture will be lessened. For instance, for each 1 percentage point reduction in feed requirements per unit of livestock output, we would need about 4 or 5 million fewer acres of cropland equivalent for production of livestock feed. On the other hand, the population projection used in this analysis may be about 5 percent too small, according to the most recent census projections. A population increase of 5 percent would offset an increase of about 6 percent in livestock feeding efficiency.

The land use adjustment problem thus would appear to revolve mainly around the major problems of (1) developing an agricultural system in the major wheat and cotton areas that can prosper with essentially present total acreages of these crops and without the necessity of control programs, (2) some moderate shifting of land use away from feed grains and soybeans, and (3) a significant expansion in acreages of hay and pasture. These changing needs may involve some major shifts in type of farming in some areas and considerable realignment of the pattern of production in many areas over the next decade or two.

But the adjustments necessitated by changing technology, prices, and costs are not likely to be confined only to changes in crop patterns and land use. Many other adjustments have occurred in years past and can be expected to continue in the years ahead.

The revolution that has occurred in American agriculture during the last few decades, and particularly in the last 15 years, is a familiar story -- farm output in 1956 more than a third greater than in 1940, produced on about the same cropland area, and with fewer farmworkers, and on fewer, but larger, farms. Farmers have made great changes in the resources used in production as they have adopted the new technologies, mechanized their farms, and improved their organization and management operations. These changes in resource combinations are particularly striking when shown as changes per unit of farm output (fig. 5). Per unit of output, farmers are using fewer acres of land, fewer horses and mules, and fewer man-hours of labor. However, more motor trucks, tractors, fertilizer, purchased feed, and many other items are being used per unit of output.

These substitutions in use of resources have been made possible by technological developments and improvements in sources of power, machines, equipment, and farm supplies at prices that make it profitable to farmers to substitute their use for farm-produced power, farm labor, and land. Full employment and the increasingly high nonfarm wage rates have pulled labor from farm areas to industrial employment with consequent upward pressures on farm wages. Farmers have learned that it is cheaper to buy machinery and other industrially produced goods than to use human labor to accomplish the farm production job.

This in turn has meant increasing commercialization of agriculture with increasingly higher capital requirements for farm investment and operating capital. Capital requirements per hour of labor and per worker used in farming have increased sharply in the last two decades, even after allowing for changes in the value of the dollar (figs. 6 and 7).

Likewise, aggregate production expenditures made by farm operators have increased greatly (fig. 8). The major increases have been for depreciation and operation of capital items such as machinery and equipment, for fertilizer, and for purchased feeds. Even though wage rates more than quadrupled in the last two decades, expenditures for hired labor have only doubled.

These changes did not occur uniformly throughout agriculture, however. The new technologies were better suited to some crops and types of farms than others, the financial position of some farmers permitted more rapid adoption of the costly investments than others, and employment opportunities off the farm varied by regions. For instance, the indexes of total cost per unit of production changed in these representative types of farm situations from 1937-41 to 1951-55 as follows:

	Percentage increase <u>1937-41 to 1951-55</u>
Southern Plains wheat farms .....	74
Central Northeast dairy farms.....	112
Corn Belt cash grain farms.....	148
Black Plains of Texas cotton farms.	182
Intermountain cattle ranches.....	182

The almost complete mechanization of farming and adoption of other improved practices and management have resulted in an increase of only 74 percent in costs per unit of production on Southern Plains wheat farms. Conversely, the lack of opportunities for such complete mechanization and substitution of hired labor on small cotton farms and on livestock ranches have meant that costs per unit of production almost tripled during the decade and a half. These differences among types of farms illustrate the varied nature of the adjustment problem of farmers.

It is perhaps well to touch briefly on some of the changing price relationships that have stimulated and often forced these great changes in resource combinations as a clue to a better understanding of the changes that may lie ahead. Undoubtedly, a powerful force toward substitution of machinery and other factors for labor has been the changing price relationships between farm wage rates and industrially produced farm inputs. The greatest changes in these relationships took place during World War II and the early postwar years (fig. 9). From 1940 to 1947, wage rates increased 250 percent, but prices paid for power and machinery and for fertilizer increased less than 50 percent. This differential change was a prime factor in encouraging substitution of these production inputs wherever possible for high-priced labor. In addition, the technological improvements greatly increased the productivity of labor and encouraged their adoption even on farms where hired labor was not important.

Compared with the war period, these price relationships have shifted relatively little in recent years. With a high level of employment in the general economy, we can expect that the drastic change that occurred during World War II will continue into the indefinite future. To the extent that all farmers have not yet adjusted to this situation, and where new opportunities become available to farmers, we can thus expect this process of substitution of industrially produced farm inputs to continue in future years. The rate of substitution probably will take place at a slower pace during periods like the present when farm production is pressing on prices, but will accelerate when production is in better balance with market requirements and farm prices and incomes are more favorable.

The forces of technological improvement, increasing efficiency per man-hour, changing cost-price relationships, investment requirements, and availability of off-farm employment have all combined to increase the average size of commercial farm in the United States, and to reduce the number of farms needed to supply available market outlets. Numbers of commercial farms have declined in each census period for the last 20 years. At the same time, part-time and residential farms have increased in numbers as available job opportunities for off-farm employment have increased (fig. 10). The forces that operated to bring about this reduction in numbers of commercial farms are obviously difficult to assess in terms of how far they will continue in future years. We can be sure that there are still many farms, particularly in the small-size categories, on which resource combinations have not yet been adjusted to take full advantage of the technological developments that are available to provide these farm families with acceptable income levels. We can surely expect that these forces will continue to operate in future years and that further downward adjustments in numbers of farms will occur, even though total requirements for agricultural products will gradually increase.

As farmers acquire tractors and new machines, and make other investments, they quickly learn that they have the potential to handle larger acreages of land with the same family labor supply than was possible with the smaller or more inefficient equipment. The marginal cost of handling this larger acreage is relatively low once the investments in machinery have been made. Consequently, we have seen consolidation of farm units into fewer but larger farms. Although this process has been going on for many years, there is evidence that it has become even more important in the last few years (fig. 11). Farmland purchases for farm enlargement have increased each year since 1950, from 22 percent of all purchases then to 33 percent in 1956. Obviously, more and more farmers are exploiting the possibilities of improving their incomes by adding more land so they can better adjust their operations to available machinery and other resources. These opportunities are no doubt greatest where mechanical processes for handling farm jobs have been most highly developed. The chart indicates that the highest percentage of purchases for farm enlargement -- 57 percent -- is in the wheat region. The smallest percentages of purchase of land for farm enlargement are in the dairy areas of the Northeast and Midwest, but even there the percentages are significant. These trends of the last few years suggest strongly that farm enlargement can be expected to continue and that significant changes will occur in future years in the number of farms and farm families in commercial agriculture.

The problems of improving farm incomes and adjusting farm size and agricultural resources to proper accommodation of farm families are complexly interwoven between opportunities in agriculture and opportunities for off-farm employment. Time does not permit much exploration of these relationships. The nature of the problem and some indication of the growing points of adjustment are revealed, however, by a comparison of farm and nonfarm incomes in different areas. In those areas where technological improvements have been most effectively adapted and adopted by farmers, where farm investments per worker have been greatest, and where farm resources per farm family are largest, the ratios of farm to nonfarm income in 1950 were highest (fig. 12). In those areas in which the ratios of farm to nonfarm income are lowest, we generally find that technological improvement has been least, investment and resources per worker are smallest, and productivity levels are lowest. Those areas with a ratio of farm to nonfarm incomes of less than 0.65 generally coincide with what have been termed the "low-income areas" in agriculture. They represent a great opportunity for further improvement in the future in incomes and in adjustment of resources for a large segment of farm people. At the same time, they present the most difficult and challenging problems. The fact of a low ratio of farm to nonfarm income presents opportunities for accelerated off-farm employment that will improve the incomes of those who make the transition. At the same time, it represents an opportunity to those who remain in farming to add to their land and other resources to obtain farm units of sufficient size to permit more efficient use of modern machines and improved management. These changes and adjustments are underway. As they are realized in future years, they will provide the basis for a more general sharing throughout agriculture of the fruits of technological advance and improvement.

In summary, although the future is unclear, we can foresee the following changes under conditions of full employment and with increased emphasis on adjustments in use of resources: (1) The possibility of sufficient increase

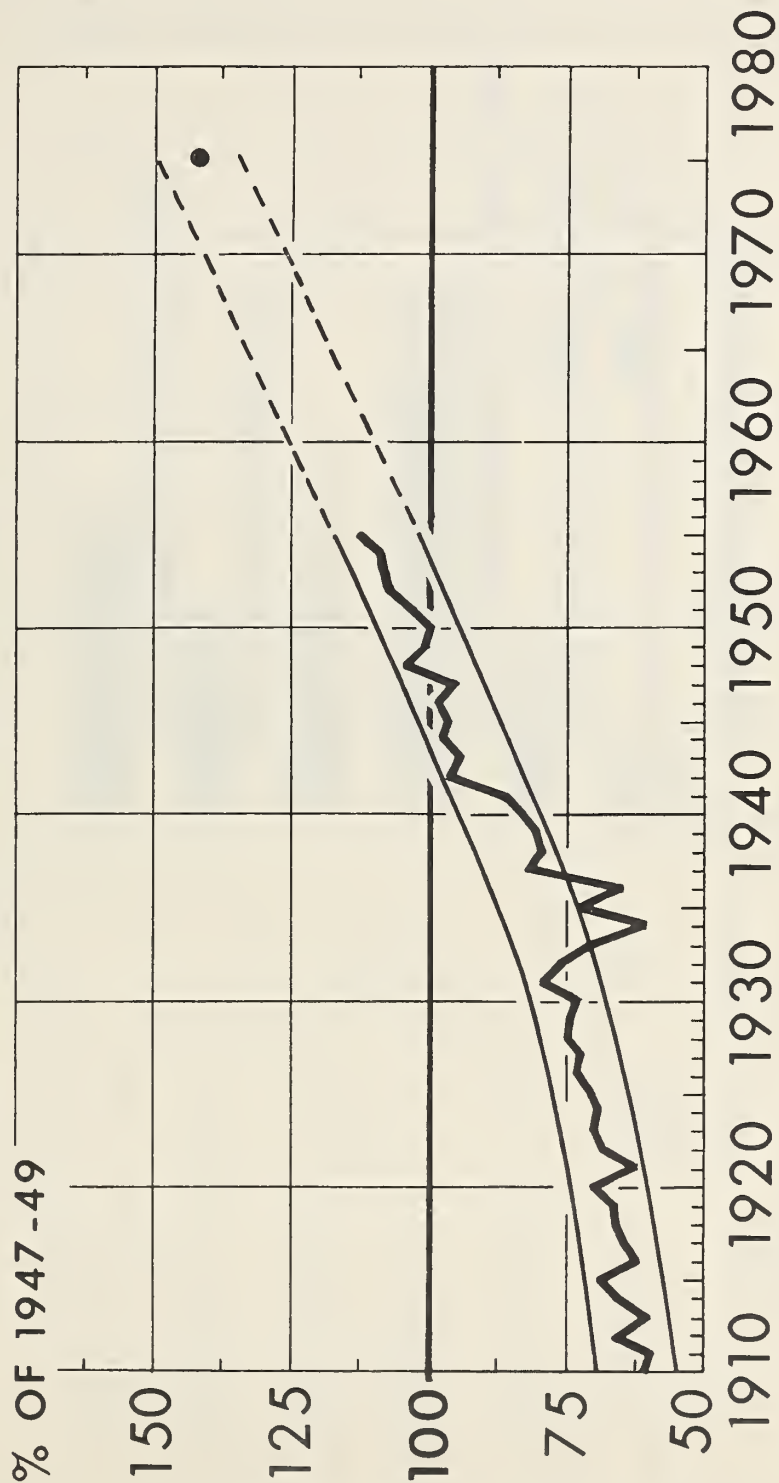
in demand during the next generation to provide a better balance between production and market requirements. But the current problems of unbalance may continue to be acute during the next 5 to 10 years. (2) We can expect a continuation of the trend toward greater commercialization in agriculture, with high cash costs of farming and high investment requirements per farm and per farmworker. (3) Agricultural products probably will be supplied by fewer but larger farms, with a continuation of the trend toward farm consolidation. (4) We can anticipate an accelerated movement of low-income farm people into nonfarm jobs in the low-income areas and a consequent improvement of agricultural incomes and more effective balance in those areas between resources and people of those who remain in agriculture.

It is possible to be fairly optimistic about the longer range outlook for farming if we can manage to work our way out of the current surplus situation and reestablish a reasonable balance between output and market requirements. No one knows, of course, how rapidly new innovations may be developed and how technological advance will affect production response. It is possible that production may continue to press on market outlets for many years, with consequent pressure on farm prices and incomes. Many difficult problems of adjustment still lie ahead. The question is not so much whether we can produce food enough, but whether we can obtain the necessary readjustments in agriculture at reasonable cost. We need much more research directed toward improving our knowledge of needed and profitable adjustments in farming, and of the probable impacts of economic change on the number and kind of future opportunities in agriculture. The sharply higher investment requirements in agriculture that have occurred in the past and which may be expected to increase in the future raise particularly serious problems for young men of ability but little financial backing to gain a foothold in farming.

A final outlook prediction that can be made with some certainty is that research and extension personnel will have much to challenge them in the years ahead.

# FARM OUTPUT

## Past Trends and Potential Needs \*



SOURCE: AGRICULTURAL MARKETING SERVICE AND AGRICULTURAL RESEARCH SERVICE COOPERATING

\* ASSUMING U. S. POPULATION INCREASE OF ABOUT ONE-THIRD AND AN INCREASE IN AVERAGE PER CAPITA CONSUMPTION OF ABOUT A TENTH FROM 1951-53 TO 1975.

U. S. DEPARTMENT OF AGRICULTURE

NEG. 56 (5)-914 AGRICULTURAL RESEARCH SERVICE

Figure 1

## Past Attainment and Potential Needs

# ANNUAL CHANGES IN FARM OUTPUT

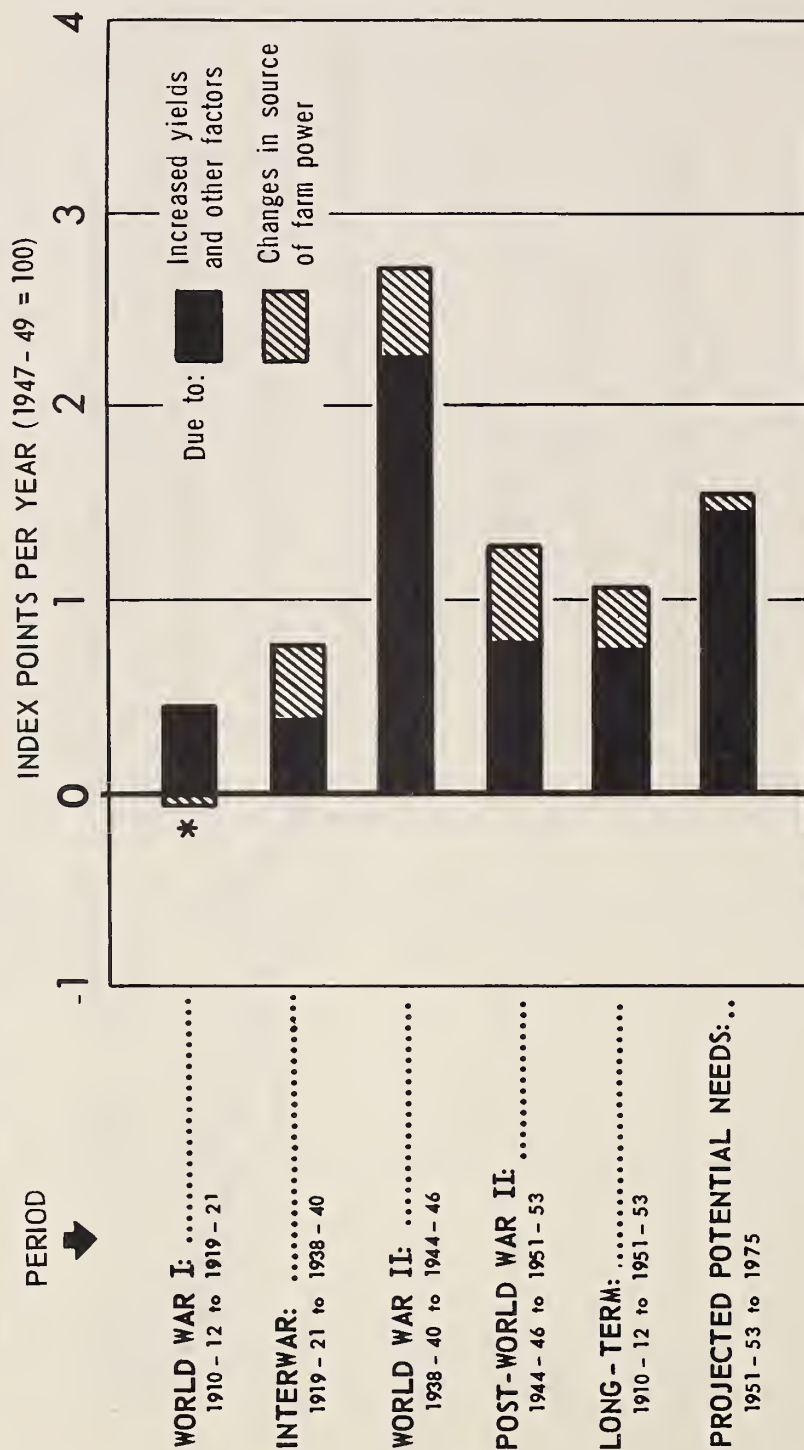
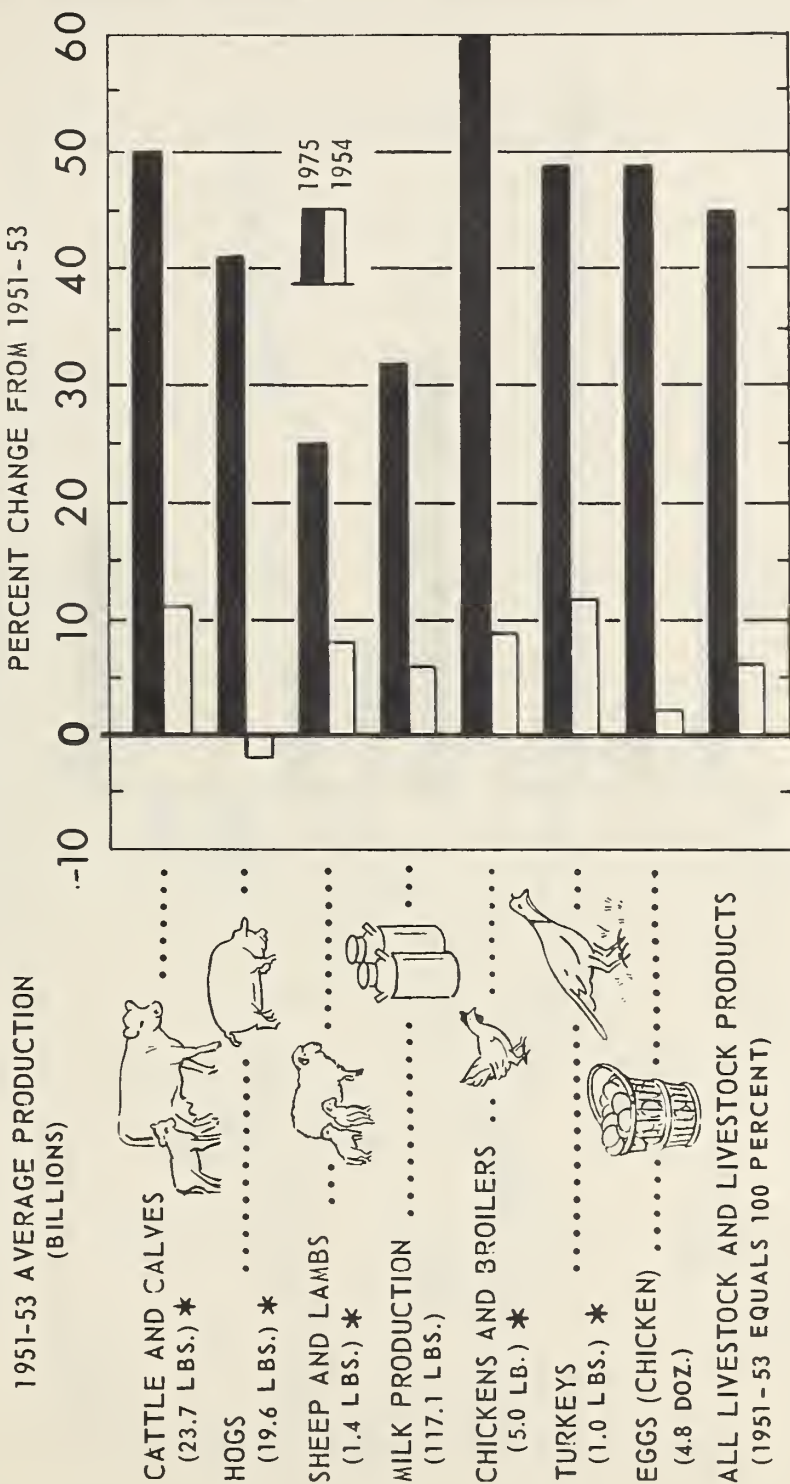


FIGURE 2

# POTENTIAL PRODUCTION NEEDS

## Livestock-1975 Compared With 1951-53



SOURCE: AGRICULTURAL MARKETING SERVICE AND AGRICULTURAL RESEARCH SERVICE COOPERATING

\* LIVE WEIGHT

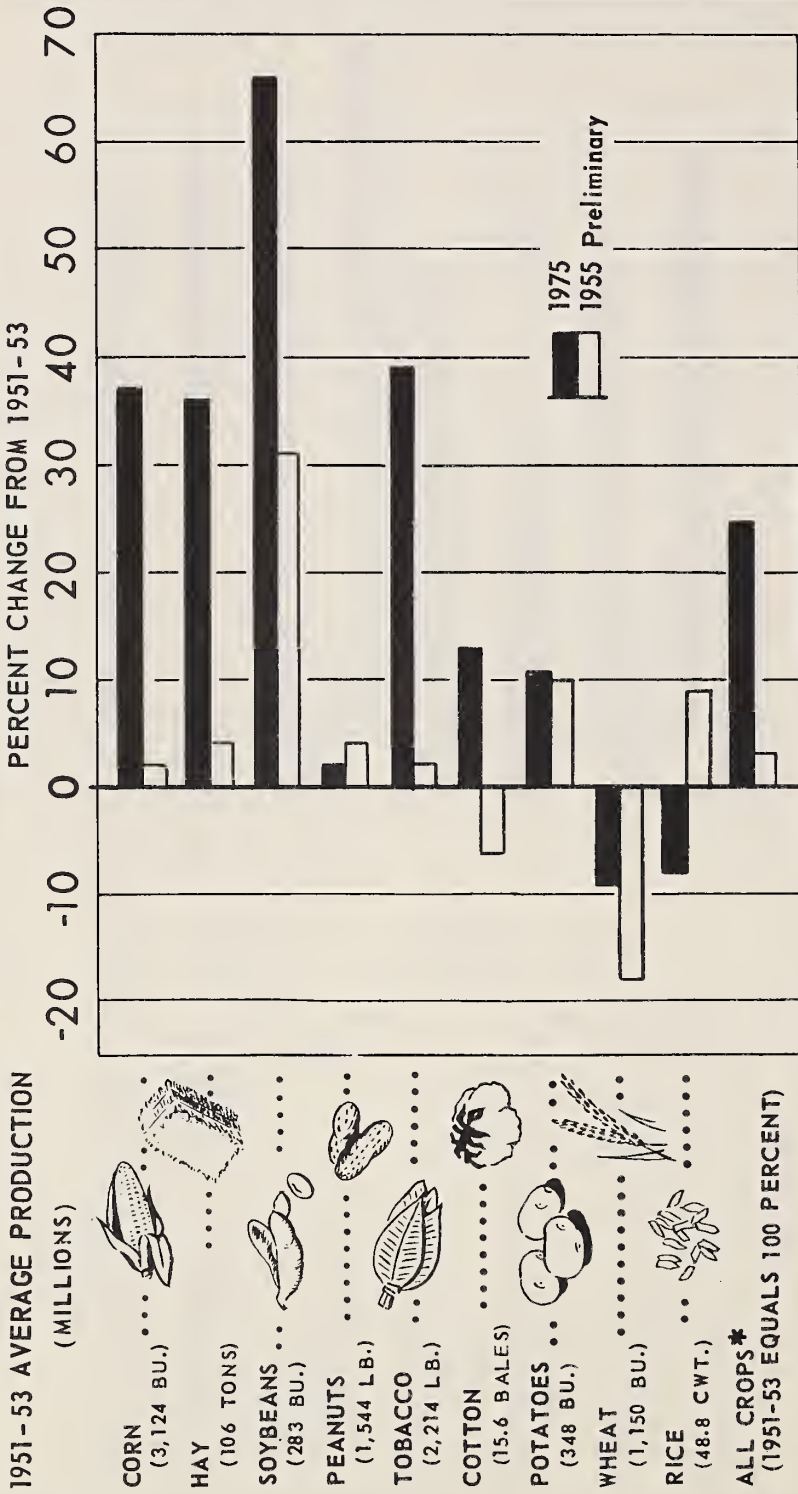
U. S. DEPARTMENT OF AGRICULTURE

NEG. 56 (5)-915 AGRICULTURAL RESEARCH SERVICE

Figure 3

# POTENTIAL PRODUCTION NEEDS

## Crops - 1975 Compared With 1951-53

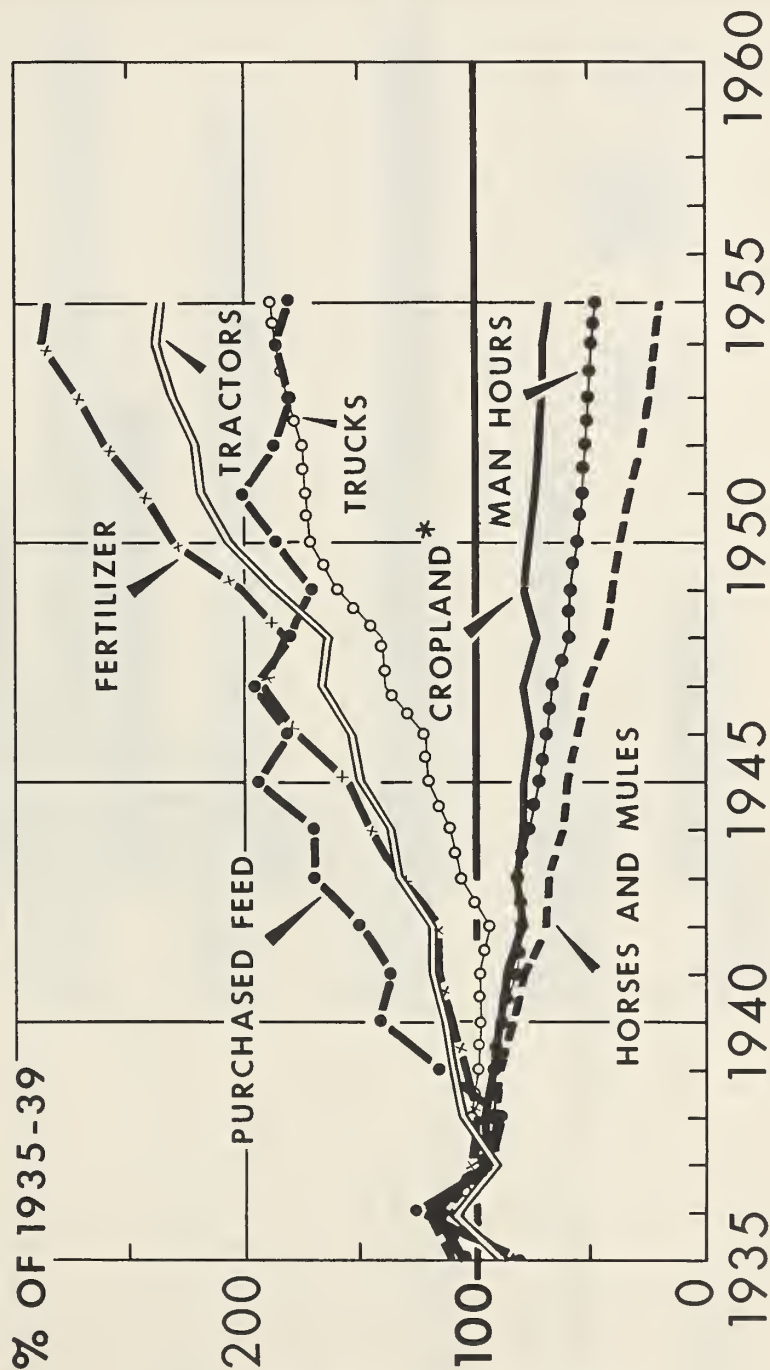


SOURCE: AGRICULTURAL MARKETING SERVICE AND AGRICULTURAL RESEARCH SERVICE COOPERATING  
\*INCLUDES ESTIMATED NEEDS FOR ALL CROP PRODUCTION EXCEPT PASTURE

Figure 4

# SELECTED RESOURCES USED

Per Unit of Farm Output

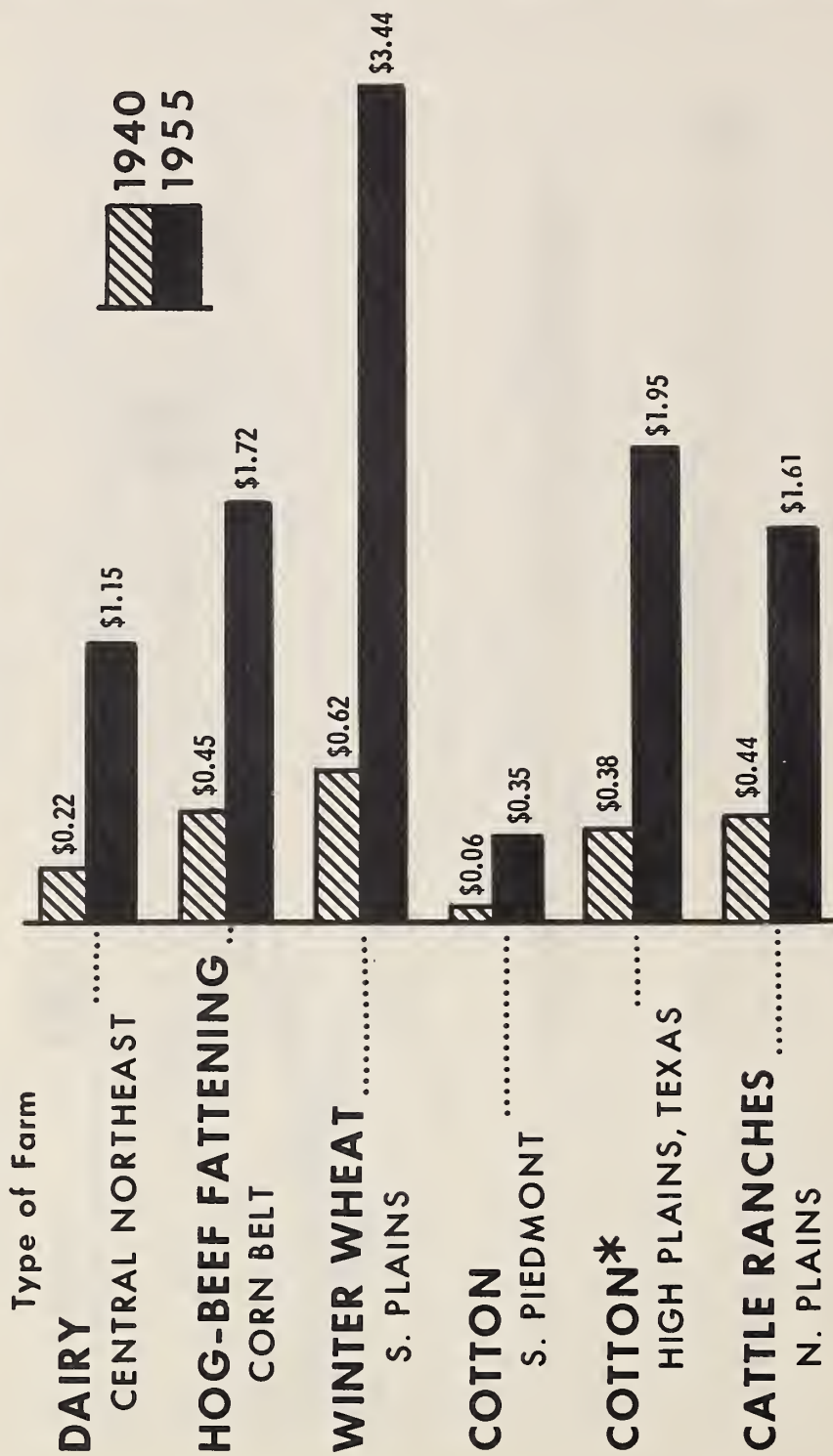


\*USED FOR CROPS

Figure 5

Per Hour of Labor

# VALUE OF FARM MACHINERY

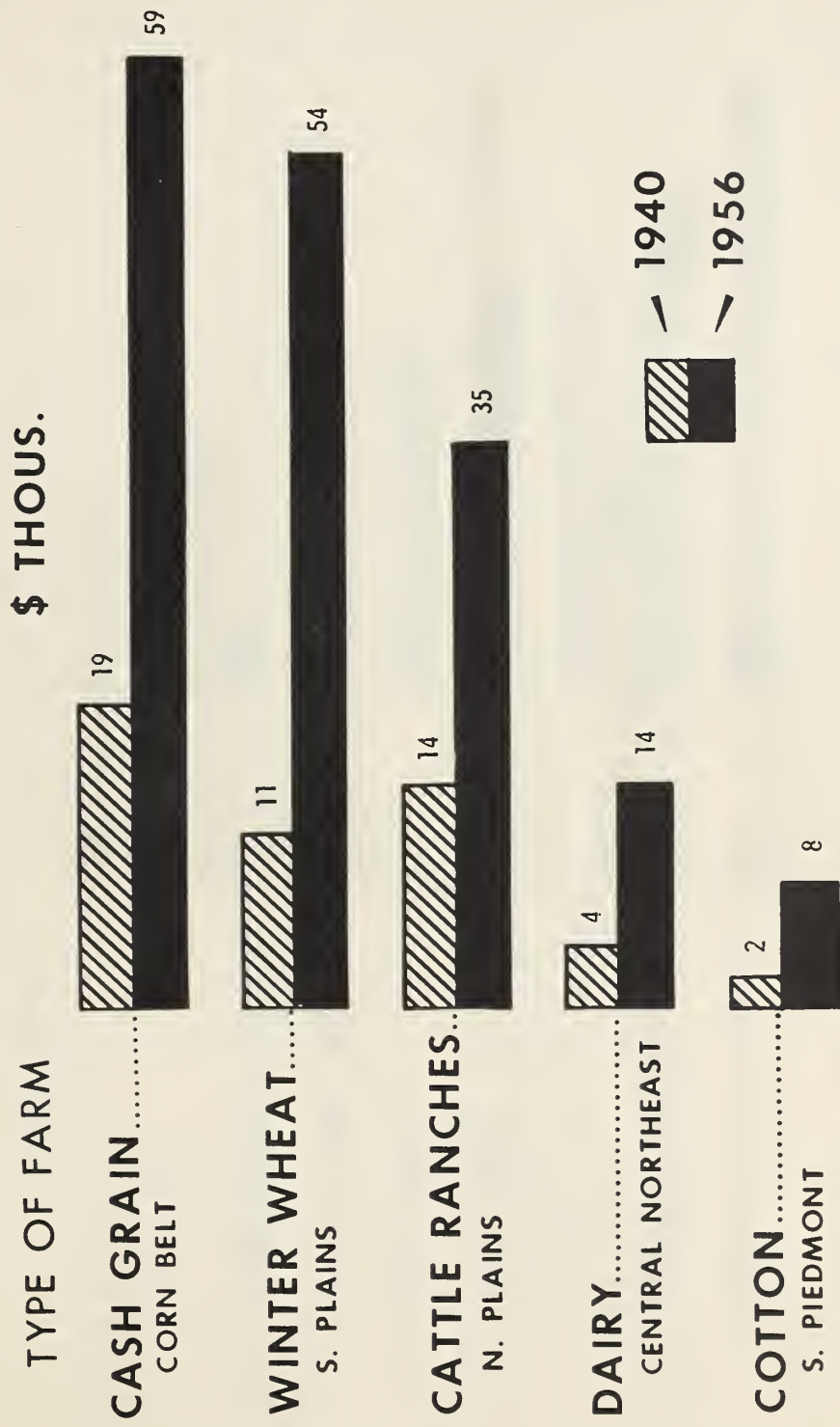


\*NONIRRIGATED

INCLUDING MOTOR VEHICLES AND EQUIPMENT

Figure 6

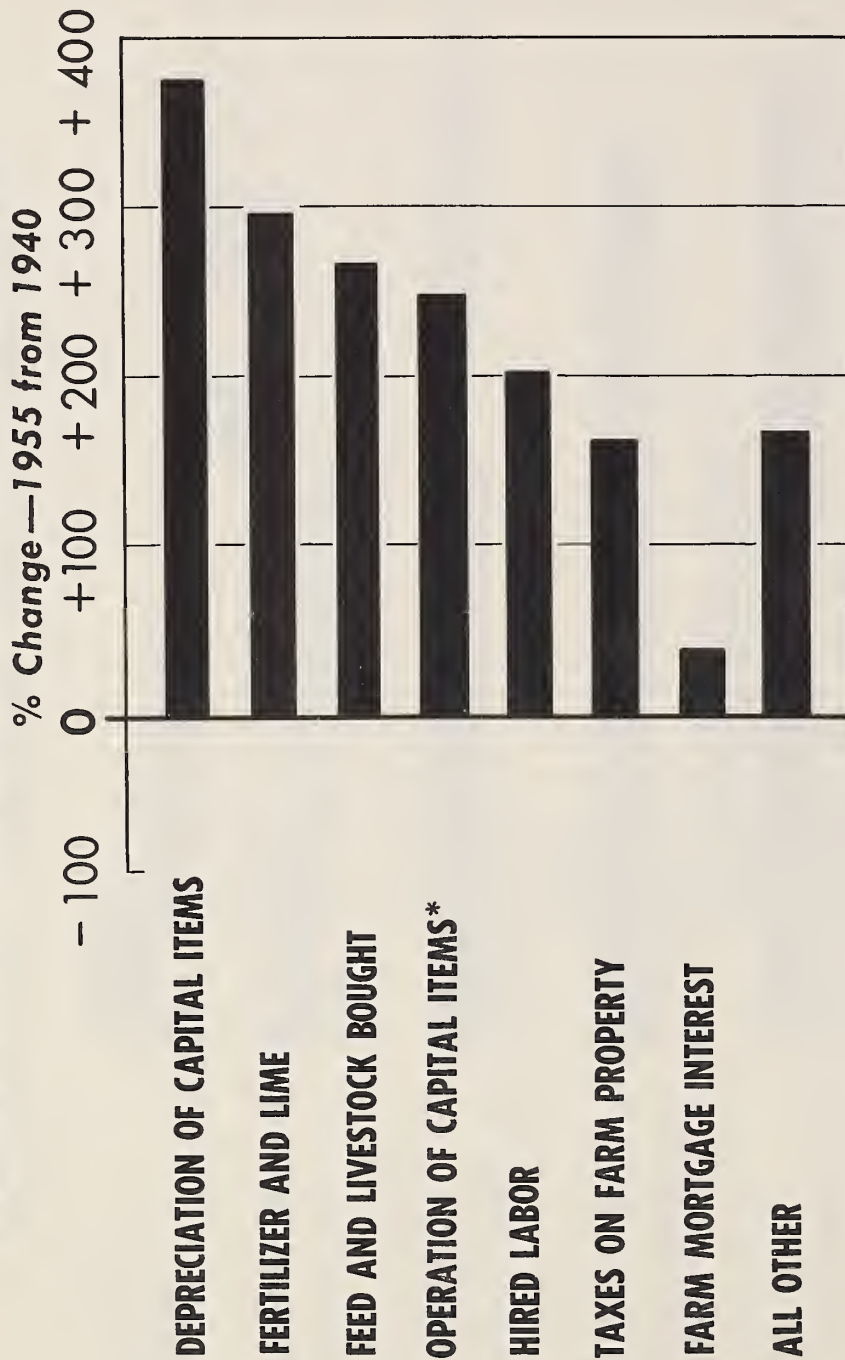
# INVESTMENT PER WORKER



COMMERCIAL FAMILY-OPERATED FARMS  
VALUE OF LAND, SERVICE BUILDINGS, LIVESTOCK, MACHINERY AND FEED JAN. 1

Figure 7

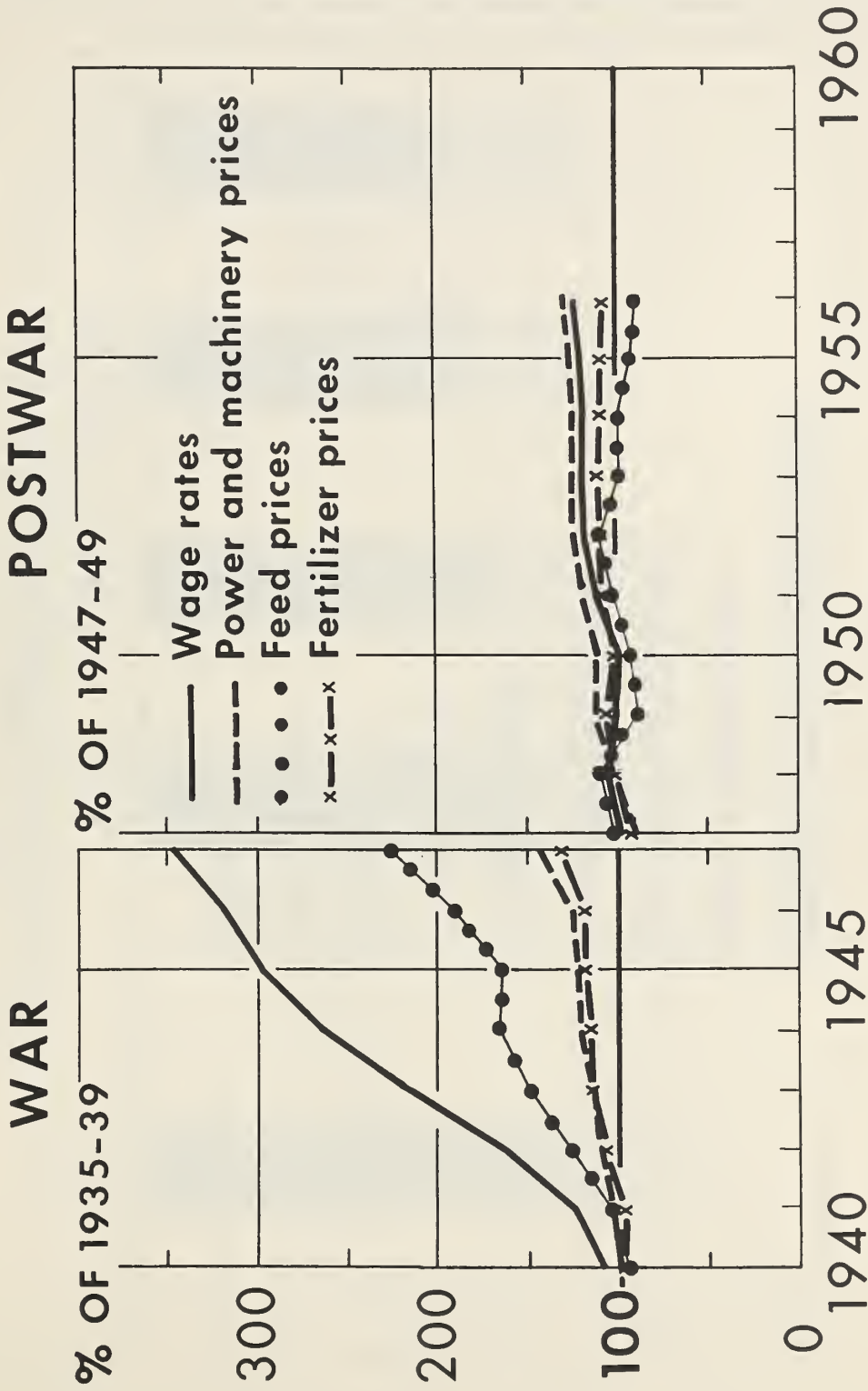
# PRODUCTION EXPENSES OF FARM OPERATORS



\* INCLUDING REPAIRS

Figure 8

# CHANGES IN FARM COST RATES

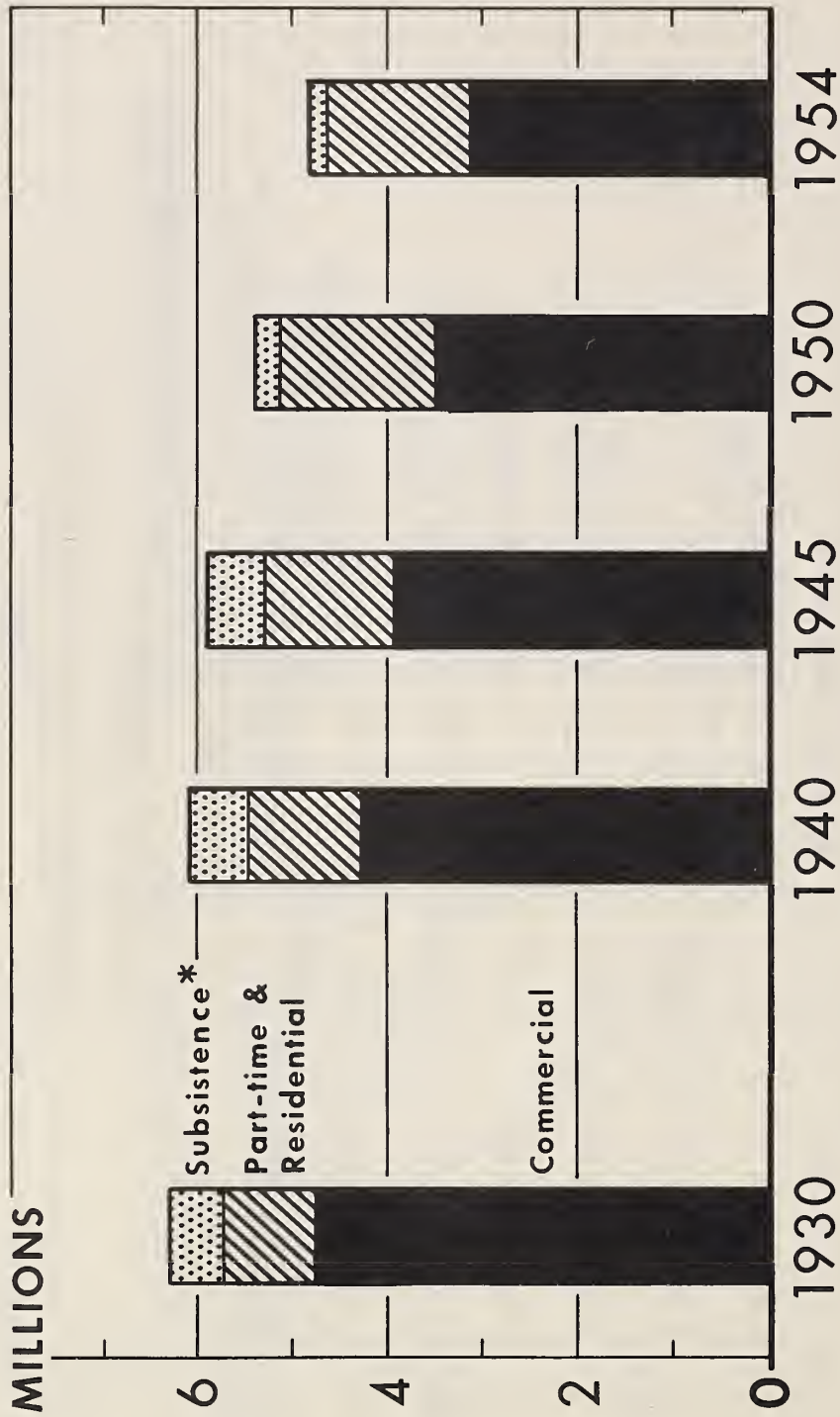


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Figure 9

# U. S. FARMS

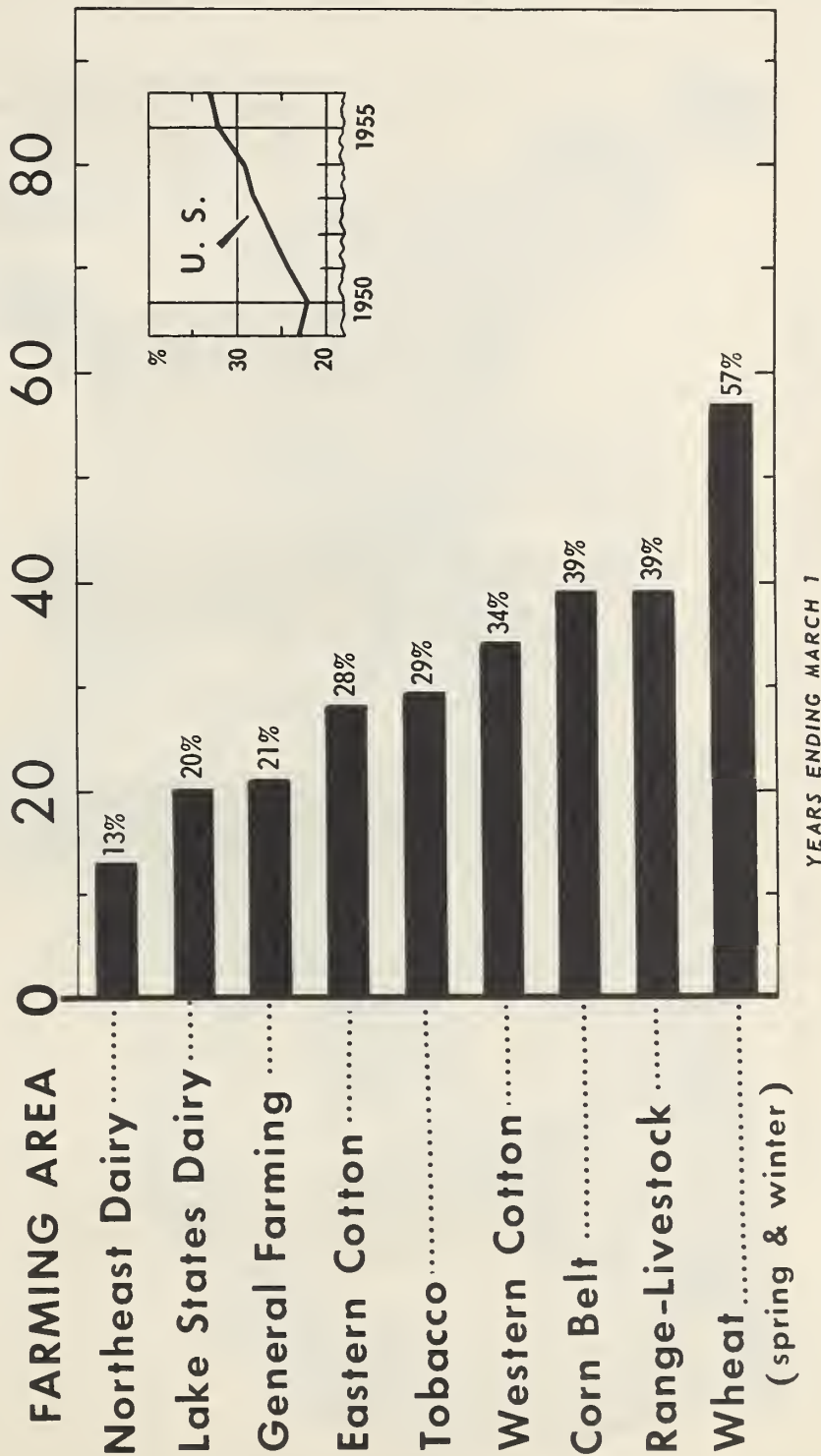


\*EARLIER YEARS INCLUDE SOME PLACES NOT REGARDED AS FARMS IN 1950 AND 1954 CENSUSES  
DEVELOPED IN ARS FROM CENSUS DATA

Figure 10

# FARMLAND PURCHASES FOR FARM ENLARGEMENT-1956

% OF TRANSFERS



U. S. DEPARTMENT OF AGRICULTURE

NEG. 56 (10) - 2213

AGRICULTURAL RESEARCH SERVICE

Figure 11

# FARM AND NONFARM MEDIAN INCOME

Ratio of Farm to Nonfarm Family Income \*

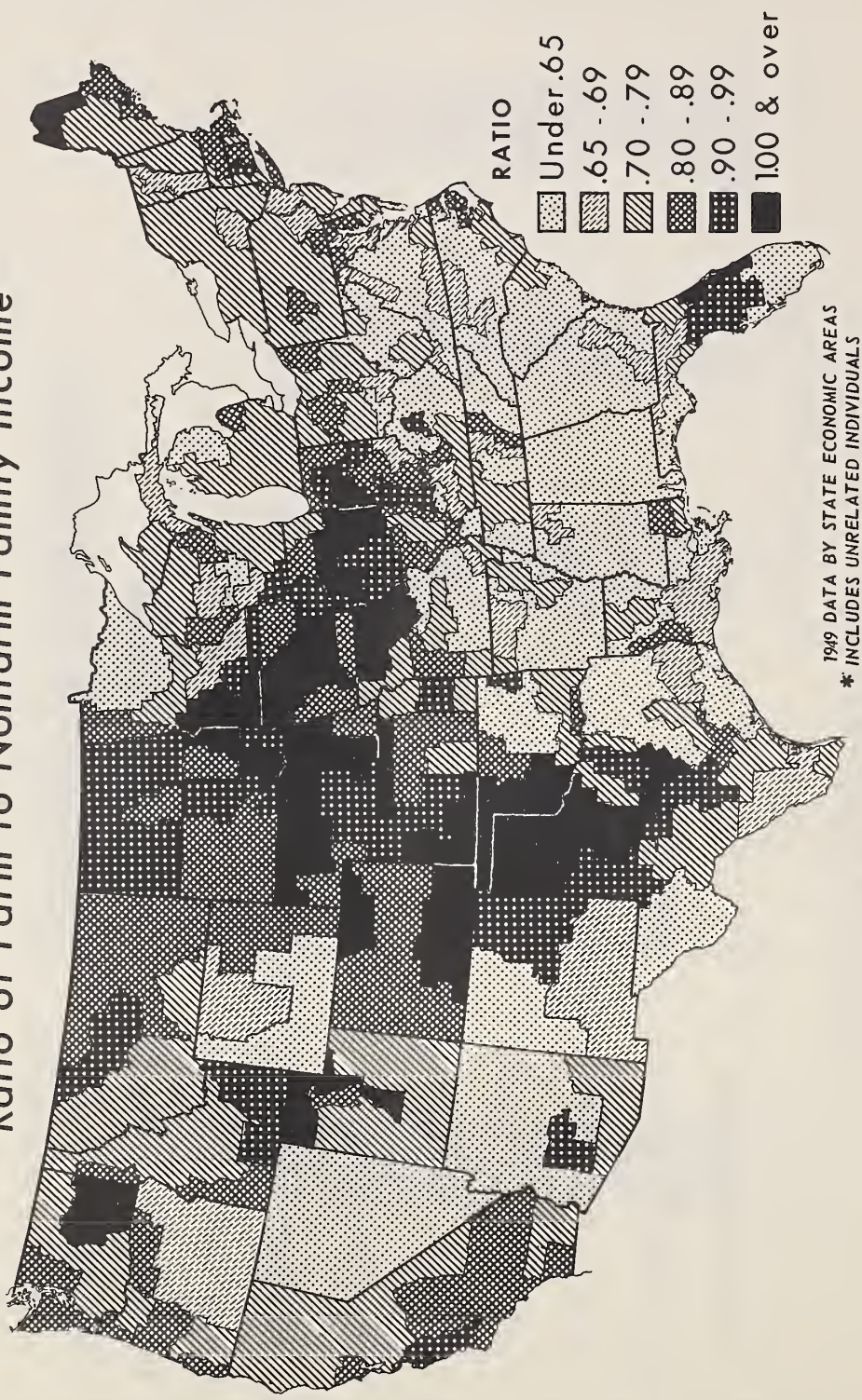


Figure 12





UNITED STATES DEPARTMENT OF AGRICULTURE

Washington, November 26, 1956

Freer Flow of World Trade Cited as Key to Nation's Future Economic Development:

Expansion of world trade through the reduction of trade barriers and the economic development of underdeveloped countries is the key to future economic growth of the United States, stated Dr. Clarence B. Randall, special consultant to President Eisenhower on foreign economic policy, at the opening session of the 34th Annual National Agricultural Outlook Conference here today.

"There is no separating of economic policy from political policy," said Randall, "and it is my job, as well as the job of every citizen, to see foreign policy as a whole. For in the long-run, it is public opinion, not governments, that determine foreign policy."

"Unless we know what we are seeking, we cannot measure our accomplishments," stated Randall, as he outlined the purposes and objectives of our foreign policy. As I see them, said Randall, they are (1) the military security of our Nation, (2) the future economic well-being of our country and the world at large, and (3) the association around us of nations that share our social and cultural values.

Elaborating upon the economic development of the United States and other free-world nations, Randall stated that one of the prime laws of economics is that "What goes out must come in -- and vice-versa." We must buy if we are to sell, he said, and we cannot maintain our domestic economic expansion unless the whole free-world is our market. But to do this, stated Randall, we must be as willing to buy as we are to sell.

"It takes real insight and character to rise above self-interest and to see the problems of trade as a whole," said Randall, as he called for a renewed effort by every segment of the Nation's economy to break down and break through barriers

(more)

to international trade and development. He reminded his audience that, in a democracy, you cannot favor one economic group without another paying for it.

Randall outlined three methods for advancing free-World trade (1) the use of multilateral instead of bilateral trade agreements, (2) by helping underdeveloped countries develop their economy, particularly their light industry, and (3) by the reduction of such trade barriers as restrictive tariffs and consumer taxes on imported goods.

Extension service workers from each of the 48 States and Puerto Rico are attending the four-day Outlook Conference which started at 9:30 a.m. this morning in the Department of Agriculture's Jefferson Auditorium.

- - - -

Washington, November 27, 1956

Economic Growth an Increasingly Important Goal, Wells Tells Conference:

Economic growth is not only the main characteristic of the American economy, but continuance of this growth is becoming an increasingly important national goal, according to O. V. Wells, Administrator of the U. S. Department of Agriculture's Agricultural Marketing Service.

The key nature of this goal was emphasized by Mr. Wells today in an address to agricultural economists and home economists from Land Grant Colleges of the Nation, at the annual Agricultural Outlook Conference in Washington.

His address summarized current attitudes toward economic growth and their relation to agriculture.

Problems associated with maintaining or encouraging economic growth were termed a main concern of farmers, businessmen, government administrators, as well as economists and statisticians. Economic growth was defined as an increase in per capita standards of living, associated with such measures as are necessary to maintain national defense and give reasonable assurance against depression.

Mr. Wells indicated that although there is much we do not know about the conditions necessary to assure desirable rates of economic growth, there seems to be general agreement that we do need:

(1) Increasing attention to education and research. In a society where geographic exploration had been substantially completed, the new and most promising frontiers lie in the field of new methods and improved technology. To reach these frontiers will require continuous research, and also a high educational level for the Nation as a whole.

(2) Flexibility or mobility of both resources and people. The opportunity must exist for substantial shifts of funds, resources, and people as between various occupations or lines of endeavor.

(more)

(3) A climate favorable to savings and investment. Economic growth calls for the development of new methods and the creation of new capital or productive facilities which must be accumulated out of current production. Economic conditions must be such as to encourage the necessary savings in one form or another as well as to encourage people to take the necessary risks of developing new methods, new plants, and new markets.

(4) Access to adequate raw materials. The United States, for example, is a country which has had a relatively high ratio of resources to people, either possessing the necessary raw materials or having a relatively free access to them through foreign trade.

(5) Reasonable security against serious economic depression and maintenance to adequate national defense. Fortunately, economic growth itself creates the resources which underlie the necessary measures for economic security as well as creating one of the strongest assets in the defense field.

(6) Assignment of a relatively high value on economic growth by the public and the Government. Maintenance of desirable rates of economic growth without undue setbacks calls for positive policies adequately supported by the public and implemented by government.

Mr. Wells then examined American agriculture in relation to the above, indicating that agriculture is making a substantial contribution to the continuing growth of the American economy. He pointed out, however, that farmers are still faced with the puzzling question as to why their rewards are not more adequate in view of steadily increasing consumer incomes and the strength of the current business situation.

Some of the declines in farm prices and incomes, he indicated, have been associated with the decline in emergency demands for farm products since the post-war food crisis period. Some of the problems, he said, are also associated with the inelastic structure of the demand for food---that is, as per capita consumer incomes have increased, consumers' demand for services and durable goods has increased proportionately faster than their demand for food. And some of the problems are also associated with agricultural surpluses which have accumulated over the last several years as the productive capacity of American agriculture has outstripped its market.

This last condition was described as a cause of renewed public interest in agricultural programs. This interest, he said is not confined to the price support, acreage-control, and Soil Bank programs, but also manifests itself in the efforts of farmers, agricultural businesses, and of the Government to emphasize salesmanship and market development for farm products at home and abroad.

Federal Extension Service  
U. S. Department of Agriculture

WELCOME TO NATIONAL AGRICULTURAL OUTLOOK CONFERENCE\*

On behalf of all of us here I take great pleasure in welcoming you State Extension people and other guests to this 34th annual National Agricultural Outlook conference. Getting the results of research to the farmers, handlers, and consumers is not easy, but you can take a great deal of pride in knowing that your work is contributing to the welfare of all groups and is much appreciated by them.

Supplying facts about current and past economic situations and possible trends which help people to make their own decisions on plans for the future, is most essential for efficient and prosperous farming and for a balance in agricultural production. I believe very strongly in outlook work. I believe that people in general, as well as farm people, deserve the best in economic and outlook information.

Research and education have contributed to the great fund of knowledge about technical production practices. Good management also requires a wealth of information that reflects the tremendous impact upon farming that comes from economic and other off-farm forces arising from a myriad of developments and decisions made by many individuals, groups, and governments. You specialists and the county extension agents are bombarded daily with questions that need a sturdy base to help them get the facts to farmers in order that they can make sound economic decisions.

People ask such questions as: Should my sons stay in farming? If so, in what types of enterprise? Should I expand the size of my operations to make efficient use of mechanized equipment and other resources? When should I market my livestock or my wheat? These are only a few of the questions that farmers must answer on the basis of information which you can provide.

Intelligent decisions by the people asking the questions will depend upon the completeness of the information you provide the county agents and the thoroughness with which you summarize and present this information in analyzing the factors basic to making sound decisions. Extension has the responsibility to see that farmers have the most accurate and complete information available. Providing farmers and handlers with the necessary outlook information is a tremendous task which calls for the best teamwork possible in analyzing, assembling, and disseminating the information.

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\*An address by C. M. Ferguson, Administrator, Federal Extension Service, U. S. Department of Agriculture, before the 34th annual National Agricultural Outlook Conference, November 26, 1956, 9:30 a.m., e.s.t., Washington, D. C.

Here in Washington, D. C., we have capable economic analysts preparing the many situation reports and other materials. We are happy that you will have an opportunity to hear from them and to meet many of these authorities this week. The State extension staffs then take this information and, in cooperation with their economic and other research people, perform the next big task, that of adapting the national outlook to their particular State and region. Yet this is just the beginning. The next job is one of method--of getting the information out to farmers in a form that they can understand and use. It becomes a team job within each State.

The outlook specialists, along with those in marketing, management, and production fields, must apply that information in their individual efforts. The problem of disseminating this information clearly, concisely, and convincingly, is tough. County extension agents must play a key role in getting out essential facts on agriculture and the farm family outlook.

How well they play that role depends to a large degree on you. We do not see it as a one-shot deal to be performed after an outlook conference, but a continuing job to be done every week--during every season.

Several of the States have already conducted meetings on the outlook for 1957, because farmers needed this information in buying their feeder cattle, in providing for their feed requirements, and in other farm decisions. This speaks well for the kind of year-round job you are doing. This Outlook Conference coming now gives you an opportunity to go back with perhaps additional information to reemphasize points you have already made.

Some of you have responsibilities in other subject-matter areas, and sometimes this may seriously limit the thoroughness with which you can do outlook work. As an ex-extension specialist, I know that one of the important decisions each of you makes concerns which jobs have priority. Some of them may have to be left undone. It is important that the jobs you do take on are done thoroughly.

The training of your county staffs is a continuous job. This takes time but pays big dividends when county staffs are informed, are confident of their information, and are trained to analyze and weigh the various economic factors with their farmers when assisting them in making decisions.

Many of you are members of teams at home that are working on farm and home development. Many of the people with whom you are working, in farm and home development, are younger people just getting started. It is important that you have as clear a picture as possible of the longer time outlook in helping those people get started on a sound and efficient basis.

This year the Department people are working hard to get more longer time outlook into the program. I know that you will welcome their emphasis in this area.

Another important job that many of you are assisting with is "program projection". Counties are organizing to take a hard look at the longer time picture and plan their extension programs accordingly. The longer time outlook and the work and projections of current trends based upon the best assumptions done by the people in AMS and ARS, this past year, should supply much information that is pertinent in the deliberation of county committees in projecting the future course of extension programs.

We have too many folks living in situations where they are unable to make their greatest contribution to the economy of our Nation. The rural development program was devised to attack this problem. It is different from the usual farm management approach of the efficient commercial farm operator. One of the important considerations that you people are beginning to develop with farm people in areas of low farm income is that of analyzing opportunities. Not all of these opportunities are in agriculture. A combination of sound outlook information and broad general knowledge of economic conditions in industry available to some of these people is necessary as they appraise the potential in their future.

We, in the Department of Agriculture, are cognizant of the great importance of providing the best outlook information possible. The committee of State representatives and Department people who advised with us in planning this conference are striving to make the information you receive here as helpful as it can be made.

In conclusion I would like to say that what you will do here is extremely important to farm people, to agriculture in general, and to the Nation. We know you have many questions; we hope you will go home with most of these answered. As in the past, we hope you will feel free to bring these questions out for full discussion.

This is truly your week. I know that you will make the most of it. We hope that you will keep in close touch with us throughout the year as new problems, new questions, and new situations develop.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service  
Household Economics Research Branch

WHO USES CONSUMER CREDIT?

Talk by Emma G. Holmes, Family Economist, Household Management Section, at the 34th Annual Agricultural Outlook Conference, Washington 25, D. C., Wednesday, November 28, 1956

Miss Brew has given you an over-all view of the present situation with regard to consumer debt. As family counsellors you will want to carry the analysis a step farther, and understand the characteristics of the families who have accumulated this debt. My purpose is to review some of the information we have about the people who use consumer credit.

That more and more people are joining the ranks of debtors all the time is verified by consumer surveys as well as being reflected in the mounting total of consumer debt. The practice of deducting income taxes, retirement contributions, social security, hospital insurance, savings bonds, and other payments from wages and salaries may have been a factor in the general acceptance of the "pay as you go" method of family finance. Having learned that making regular payments is a relatively easy way of taking care of these obligations, families in larger numbers than ever before have adopted this system for other goods and services. William H. Whyte has coined the name "budgetism" for this desire to put as many purchases as possible on the installment basis. <sup>1/</sup> He says this plan appeals to people because it saves them the time and trouble of making decisions each payday as to how to spend their incomes.

We have several sources of information about the people who are consumer debtors. The most recent nationwide survey is the Federal Reserve Board's 1956 Survey of Consumer Finances, for which data were collected early this year. This continues a series of annual consumer surveys done by this agency since World War II. Most of the information I am going to give you is from this source. I shall talk mainly about what is called "personal debt," which differs from the short- and intermediate-term consumer debt described by Miss Brew in that it excludes charge accounts. However, charge accounts now are less than 10 percent of the consumer credit outstanding, and are becoming relatively less important as new types of credit take their place. Installment debt is by far the most important segment of personal debt.

The Federal Reserve study enumerates the "spending units" that are indebted as of the time of the survey. A spending unit is a group of related persons living together and pooling their incomes. Children under 18 and living at home are all considered part of the spending unit, but other related persons in the household are separate units if they earn more than \$15 per week and do not pool it. So a spending unit may be a group or a single individual.

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<sup>1/</sup> Whyte, William H. "Budgetism, Opiate of the Middle Class," Fortune, May 1956.

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Early this year 54 percent of U. S. spending units reported some personal debt. About 3 out of 5 of these debtors reported debts amounting to less than \$500, 2 out of 5 debts of \$500 or more. However, it is believed that reported amounts of debt are sometimes underestimates. The grand total of consumer debt as reported by survey respondents is less than the aggregate as estimated by Federal Reserve. That people tend to understate the amount of debt they owe may indicate that they still have some feeling that debt is socially undesirable, and they are unwilling to admit that they are in it as deep as they actually are.

Spending units with personal debt are found in all income groups, all age groups except the very young, among married folks and single ones, couples with children and without children, workers in all types of occupations, and people living in all types of communities. However, certain groups within these various categories seem to have greater inclination than others to use credit.

Let's look first at income differences. Indebtedness for consumer goods and services isn't necessarily a condition of the lower income groups. On the contrary, consumers in the middle and upper middle income groups are most likely to have such debts. In 1956, 63 percent of the spending units with incomes between \$4,000 and \$7,500 reported personal debts, as compared with about 40 percent of those in both the under-\$2,000 and the \$10,000-and-over income groups. In other words, the proportion of spending units with personal debt was 50 percent higher in the middle income group than at either the low or the high end of the income scale.

We don't know just why these differences exist, but we may guess what some of the reasons are. In the lower income groups there are many retired people whose need for the durable goods commonly bought with credit may be small. Other families would be expected to have more interest in acquiring durable goods, but at this income level are hard-pressed to provide the necessities of living, to say nothing of making down payments and regular installments. Farther up the income scale families begin to feel that they are in a position to enjoy some of the comforts and luxuries. The installment plan is attractive to them because it means that they can enjoy these things while they pay for them, which they prefer over waiting to accumulate enough to pay cash. These middle-income groups include many young couples with children, who seem to have an almost insatiable capacity to consume the goods credit will buy and enough optimism to make them willing to take on debts. At the still higher income levels, more families find it unnecessary to use credit to obtain the things they want, because their incomes and assets are sufficient to pay cash for them.

In general, low-income debtors tend to have smaller debts than higher income debtors. Only about 7 percent of the spending units with incomes under \$2,000 this year reported personal debts of \$500 or more, while about 35 percent in all groups with incomes of \$5,000 or more owed this much.

Within each income group, the spending units with little or no liquid assets reported personal debt much more frequently than those with larger amounts of assets. However, at all income levels there were some debtors who could probably have paid cash for their purchases; at least, they could now pay off their debts if they wanted to. But they chose to keep their savings for emergencies or other uses, or possibly to make a downpayment for another installment purchase. It may be, as one writer suggests, that ownership of liquid assets encourages use of installment credit by providing for downpayments as well as by giving a feeling of security.

Experience of department stores offering revolving credit also shows that it's not just the people who can't buy any other way that use these installment charge accounts. Some whose incomes are large enough so they could handle a regular charge account choose the revolving account because they like the idea of spreading their payments over a longer period of time and paying a specified amount each month so they can "budget" payments. They do this in spite of the extra cost imposed by the carrying charge on revolving accounts, which usually amounts to  $1-1\frac{1}{2}$  percent per month on the debt outstanding, or an effective annual rate of 12 to 18 percent.

Families with children are more likely to have debts than those without children. Early this year 71 percent of the married couples with children under 18 reported some personal debt, but only 43 percent of those without children. And among couples with children under 18, those in the under-45 age group reported debts more frequently than the older ones, as we might expect. Since many of these younger families are buying homes, furniture, appliances, cars, providing medical care for children, and carrying any number of other expensive projects, their needs and wants may easily exceed their current ability to pay. However, prospects for steady employment and increasing income make them optimistic about being able to pay for purchases out of future earnings. Also, the risks of serious illness or death are lower for them than for older families, and retirement is too far in the future to worry about saving for it.

Having children in the family not only increases the need for credit by increasing the number and quantity of goods and services required for living; it also increases the pressure to buy goods that may not be considered exactly essential. Take TV, for example. The first family in the neighborhood to have a television set drew an audience from homes for blocks around. Other parents soon bought sets to keep the children home, and because the children wouldn't let them rest until they did. And if they didn't have the money to pay cash, they bought on the installment plan.

It has also been noted that the proportion of spending units using credit tends to increase as the number of earners increases. This year 55 percent of the units with 2 or more earners reported installment debt, but only 40 percent of those with 1 earner. In part, at least, this difference is an income difference. Families with more earners tend to have higher incomes, and the middle income group which is so well represented among debtors has many working wives. We all know of families in which the wife has taken a job for the specific purpose of buying a washing machine, new furniture, a new car, or something else the family particularly wants, and has earmarked her pay check for the installments.

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The occupational groups headed by skilled and semiskilled and unskilled and service workers have a proportionately larger number of personal debtors than any other. In these groups, about two-thirds of the spending units reported personal debts this year. Units headed by professional, semiprofessional, and managerial workers came next, then clerical and sales personnel, the self-employed, and last of all except for retired persons, farm operators.

That the installment variety of credit is not well adapted to the seasonal nature of some farmers' incomes is indicated by the relatively small number of farmers with installment debts. Only about half of the farm operators who reported any personal debt had installment debt. In contrast, about 90 percent of the debtors among the skilled and semiskilled workers, whose incomes are more regular and certain, owed on installment purchases or loans.

Regional differences are apparent in the use of installment credit, the South and the West having a larger proportion of installment debtors than the Northeast and North Central region. Part of the difference in the South may be due to the makeup of the population, as Negro spending units tend to do considerable installment buying.

Earlier studies have shown that families living outside the largest cities incline to use of credit more than those in the cities themselves. Many of the suburban dwellers now are young married couples with children, with incomes of medium size, and with new homes requiring new furniture and appliances. Suburban living may also call for two cars. We are told that about 10 percent of all families owned 2 cars in 1955, as compared with 3 percent in 1948.

These are the ways in which certain groups within the population differ in the use of credit, or in the number of debtors at one point in time. We do not have information about how many and which consumers ever have or ever will make use of it. By putting two and two together, however, we may conclude that if the present trend continues, most consumers are likely to use credit sooner or later in one way or another. For older consumers were once young; many of those who have no children once did, or may have in the future; many single consumers were once married, or will be later; families now in a stage of the family cycle when credit is not needed were once at a stage when it was. So over the period of a lifetime chances are that almost everybody will have taken advantage of the credit so freely offered in so many forms, for so many goods and services, and on such attractive terms.

Another thing we do not know is how frequently spending units make use of credit. This probably varies much, from those who use it only once or a few times, possibly in early married life to set up housekeeping, to those who are always in debt to several creditors, and always have a portion of their income earmarked for installment payments.

U. S. spending units have undergone a good many changes in recent years. There has been a change in the distribution of income, expanding the credit-using middle-income group, and reducing the low-income group. Plentiful work opportunities for women have brought women into the labor force in ever-increasing numbers, so that employment of wives is at a higher level than ever before. People are marrying younger, having more children, sending more children through high school and college. The number of households has increased substantially, due not only to population increase, but to the high marriage rate, the undoubling of families living together, the greater tendency for single and retired people to maintain separate households. The suburban population has grown tremendously, at a higher rate than that of either the large cities or the United States as a whole. These are some though perhaps only a few of the many factors which, added to the growing habit of buying goods and services "on time," may be back of the increase in consumer credit.

Table 1.--Personal debt of spending units, by income, early 1956

1955 money income before taxes	All spending units	No personal debt	Some personal debt	Amount of personal debt				
				\$1-\$99	\$100-\$199	\$200-\$499	\$500-\$999	\$1,000 and over
				Percent of spending units				
All income groups.....	100	46	54	9	7	14	11	13
Under \$1,000.....	100	65	35	16	6	7	3	3
\$1,000-\$1,999.....	100	54	46	18	10	11	3	4
\$2,000-\$2,999.....	100	42	58	11	12	17	12	6
\$3,000-\$3,999.....	100	43	57	9	8	16	13	11
\$4,000-\$4,999.....	100	36	64	8	8	16	16	16
\$5,000-\$7,499.....	100	38	62	6	6	15	15	20
\$7,500-\$9,999.....	100	46	54	2	4	15	12	21
\$10,000 and over.....	100	57	43	2	2	6	10	23

NOTE.--Personal debt includes all short- and intermediate-term consumer debt other than charge accounts; excludes mortgage debt and business debt.

A spending unit includes all persons living in the same dwelling and related by blood, marriage, or adoption, who pool their incomes to meet major expenses. Single-person spending units are included.

Source: Federal Reserve Bulletin, July 1956, p. 701.

Table 2.--Personal debt by liquid asset groups within income groups, early 1956

Income and liquid assets	All spending units	No personal debt	Some personal debt	Amount of personal debt				
				Percent of spending units				
				\$1-\$99	\$100-\$199	\$200-\$499	\$500-\$999	\$1,000 and over
All spending units.....	100	46	54	9	7	14	11	13
Income under \$3,000 and liquid assets of:								
Zero.....	100	40	60	20	14	14	9	3
\$1-\$499.....	100	48	52	14	5	17	8	8
\$500 and over.....	100	83	17	5	3	5	1	3
Income of \$3,000-\$4,999 and liquid assets of:								
Zero.....	100	18	82	9	9	27	24	13
\$1-\$499.....	100	26	74	6	11	21	15	21
\$500 and over.....	100	65	35	10	6	5	8	6
Income of \$5,000 and over and liquid assets of:								
Zero.....	100	16	84	3	3	18	23	37
\$1-\$499.....	100	18	82	4	7	19	18	34
\$500 and over.....	100	57	43	4	4	11	10	14

NOTE.--Personal debt includes all short- and intermediate-term consumer debt other than charge accounts; excludes mortgage debt and business debt; personal debt and liquid assets as of time of interview, income before taxes in preceding year.

Liquid assets include all types of U. S. Government bonds, checking accounts, savings accounts in banks, postal savings, and shares in savings and loan associations and credit unions; currency is excluded.

Source: Federal Reserve Bulletin, July 1956, p. 702.

Table 3.--Personal debt within specified groups, early 1956

Group characteristic	All spending units	No personal debt	Some personal debt	
			Total	Some installment debt
Percent of spending units				
Occupation of head of spending unit:				
Professional and semiprofessional.....	100	44	56	47
Managerial.....	100	44	56	47
Self-employed.....	100	59	41	30
Clerical and sales.....	100	50	50	44
Skilled and semiskilled.....	100	32	68	62
Unskilled and service.....	100	34	66	56
Farm operator.....	100	66	34	18
Retired.....	100	76	24	13
Other.....	100	52	48	40
Family status 1/:				
Single:				
Age 18-44 years.....	100	52	48	40
Age 45 years and over.....	100	74	26	16
Married:				
Age 18-44 years, no children under 18.....	100	36	64	56
Age 18-44 years, children under 18.....	100	26	74	65
Age 45 years and over, no children under 18	100	64	36	27
Age 45 years and over, children under 18....	100	37	63	53
Other.....	100	37	63	52

NOTE.--Personal debt includes all short- and intermediate-term consumer debt other than charge accounts; excludes mortgage debt and business debt.

A spending unit includes all persons living in the same dwelling and related by blood, marriage, or adoption, who pool their incomes to meet major expenses. Single-person spending units are included.

1/ Single spending units include unmarried, widowed, separated, and divorced persons without children. Married spending units include only those in which both husband and wife are present. "Other" spending units include various combinations of adults and children that do not fall in either single or married group, and spending units for which family status data were not ascertained. Age refers to head of spending unit. Source: Federal Reserve Bulletin, July 1956, pp. 702, 705.

Table 4.--Installment payments in relation to disposable income, early 1956

Disposable income	All spending units	Payments as a percentage of disposable income					Not ascertained
		Zero	1-9	10-19	20-39	40 and over	
Percent of spending units							
All spending units.....	100	55	15	16	10	2	2
Under \$1,000.....	100	80	2	6	4	8	1/
\$1,000-\$1,999.....	100	66	10	10	10	3	1
\$2,000-\$2,999.....	100	55	14	13	12	4	2
\$3,000-\$3,999.....	100	51	17	16	13	1	2
\$4,000-\$4,999.....	100	44	18	18	16	2	2
\$5,000-\$7,499.....	100	44	21	23	10	1/	2
\$7,500-\$9,999.....	100	52	18	22	6	1/	2
\$10,000 and over.....	100	68	15	13	2	1/	2

NOTE.--Annual rate of payments at time of interview; income after taxes in 1955.

1/ No cases reported or less than one-half of 1 percent.

Source: Federal Reserve Bulletin, July 1956, p. 704.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Federal Extension Service  
Washington 25, D. C.

✓ A WORLD AGRICULTURAL OUTLOOK SERVICE ✓

Talk by Henry C. Taylor  
at the 34th Annual National Agricultural Outlook Conference  
Washington, D. C., November 29, 1956

In speaking of the need for an agricultural outlook service on a world wide basis, we have in mind a service which will provide the farmers of all countries of the world with as good information as you have had presented to you in this conference, to the end that farmers throughout the world may be in a position to adjust their planting and their breeding to conform to the probable effective demand at the time when their products will enter the market. Farmers of the United States have a personal interest in this for the reason that if U.S. farmers have this information and their competitors do not the U.S. farmers will have to do all the adjusting of production. We have done this in the case of cotton, for example, and in so doing we have lost much of our cotton market to our competitors.

The Food and Agricultural Organization is the obvious agency for developing this service. The forerunner of FAO, the International Institute of Agriculture, had projected a plan and was working toward the creation of a world outlook service but this work was brought to a standstill by World War II.

As early as 1904, David Lubin, the founder of the I.I.A., saw the need for full information for all farmers competing in the world markets. This was impressed upon him because he was a wheat farmer in California, as well as a wealthy merchant. It was this insight that led Lubin to urge the leaders of many nations to help create an international institution which would gather and disseminate farm production and marketing information on a world wide basis.

The I.I.A. had an annual appropriation of only about a quarter of a million dollars which set severe limitations upon what it could do. A world crop estimating system was started, a yearbook of statistics was issued, and in 1925 a world census of agriculture was undertaken by the I.I.A., with funds provided by an American foundation. This was to give a basis for evaluating the current and annual crop reports from the various countries and, at the same time, to lay the foundation for a world outlook service. In 1934 the United States member of the Permanent Committee of the Institute, with funds made available by an American foundation, employed Lois Bacon and Friedrich C. Schlomer to prepare a volume on world trade in farm products which it was thought would be a step toward the creation of an outlook service. Much time was required to assemble the material for this eleven-hundred-page work which was

published by the I.I.A. in 1940, with the title "World Trade in Agricultural Products, Its Growth; Its Crisis; and the New Trade Policies." Unfortunately, the war made the Institute ineffective for the duration, but prior to the end of the war FAO had emerged to take over. The new institution started with twenty times as many dollars at its command and it is to this new and vigorous institution we look for the development of the world agricultural outlook service. The food demands of war times placed the emphasis upon expansion of production rather than upon adjustment of production, which in the 20's and 30's had seemed so important. Need became the key word. But in the last few years the phrase "selective expansion of production" has been adopted, which brings FAO more nearly in line with the objectives of I.I.A. and the world outlook now occupies a prominent position in the headings of FAO reports. Dr. Ezekial and others formerly with the BAE are occupying positions in the Food and Agricultural Organization and are helping to develop a World Outlook Service, but they will need the vigorous backing of our delegates on the Council if they are to be in a position to do all they see the need of doing to lay the foundations of this service. There are many demands for FAO funds for other purposes. The creation of a world outlook service will require much work.

In the first place the quality and the quantity of the information coming to FAO from the various countries of the world will need to be improved and enlarged. This will require an educational program extending through a series of years. Some of this work is in progress but it is not very specifically focused upon the preparation of an outlook service.

In the second place the agencies for carrying the outlook information back to the farmers in an effective manner is in large measure yet to be created. FAO is doing something to stimulate the development of extension services in many countries. This service relates to the physical and biological problems of agriculture and farm life as well as the economic aspects. But there is hope that the extension agencies will be ready to carry the information once concrete material is at hand for them to use. The starting point is the development of adequate material of recognized worth. All this will take time, determination, and money, as has been demonstrated by our experience in the United States.

The U.S. outlook service did not come all at once by simply expressing the desire for such a service. The need began to be felt and expressed back in the 1830's. That led to the first census of agriculture taken in 1840. The first annual statistical estimate of agricultural production was made for the year 1841. The new U. S. Department of Agriculture published its first Monthly Report of the Condition of Crops in May and June 1863. Systematic gathering of statistics of the prices farmers received for their products at their local markets was undertaken in the winter of 1862-63 for the crops produced in 1862. Forecasting the seasonal run of hogs into the packing centers was started by Charles B. Murray of the Cincinnati Price Current in the year 1872. But all these were just beginnings. The development of the present statistical methods of the USDA and the Bureau of the Census has been a long and arduous task. But by 1923 great progress had been made.

Prior to 1923 the primary objective of production and price statistics was to facilitate the adjustment of prices to the available supplies of farm products. The new idea in the Agricultural Outlook Service was to give the farmers the basis of adjusting supply to demand in a manner to secure a more satisfactory price. In general the same data were needed but they were supplemented by data on intentions to plant, and by information relating to probable changes in demand which should be taken into account in adjusting production.

There were fewer than forty persons present at the 1923 Outlook Conference, including the representatives of the USDA, the Department of Commerce, the Federal Reserve Board, college economists, and business forecasters from New York, Chicago and Cleveland. Handbooks of material were prepared in advance but the report was prepared by the Conference. The sub-committees indicated how much each of several crops should be reduced in acreage in order to bring the supply in line with the probable demand at a reasonable price.

On that occasion C. B. Smith, alone, represented the extension service. The plans for getting the results to the farmers were in the blue-print stage. It was hoped that the director of Extension would be interested. He was interested and to him belongs a large share of the credit for the Outlook's success. He started a system of using the outlook reports which has taken the facts to the farmers.

In planning a world agricultural outlook service we should keep in mind our own experience and not overlook either the fact-gathering aspect nor the problem of effectively putting the results into the minds of farmers who plant the crops.

In these days when governments are taking a hand in the management of agricultural production, it is also important that the statesmen of the world be well informed as to the agricultural outlook -- the long time as well as the annual outlook. Back in the 1930's Secretary H. A. Wallace said to me, "It has been suggested that now since we are going to tell the farmers what and how much to produce we shall no longer need the outlook reports, what do you think?" I replied that if the government was going to tell the farmers what and how much to produce there would need to be far better outlook reports than had as yet been produced if the government was not to make a mess of the undertaking.

It has been a joy to be with you. The outlook service has grown far beyond what any one could imagine in 1923. The display of information is amazing. It is obvious that the annual outlook conference serves a much broader purpose today than the founders had in mind. It now serves as an annual refresher course in farm and home economics and makes the research work effective through the extension service. The real test is, how much of the information displayed here can be put into action in the form of agricultural and home life readjustments in harmony with American ideals and purposes.



World Outlook  
an address by  
Clarence B. Randall  
Special Consultant to the President  
before  
Agricultural Outlook Conference  
Department of Agriculture, Washington, D. C.  
November 26, 1956

Mr. Wells, Ladies and Gentlemen:

These introductions, they're something. I call it a liberal outpouring of vegetable oil.

It is a wonderful thing to have the chance to open one's mind by meeting with this great audience, representing as it does every phase of our American life, and I'm so happy to know that there are representatives here this morning from some of our country's allies. Most of these countries I have had the privilege of visiting.

It was arranged this morning that I would make the informal talk and Mr. Stein who is sitting here will make the intelligent talk later. I am a sort of renegade in being here because all of my ancestors as far back as I have had ancestors, and that goes quite a ways, were farmers. I have been giving the blood a rest for this generation.

My field is foreign economics policy, my responsibility is the coordination of foreign economic policy as to those problems which cross departmental lines. In fact, there is no separation of economic from political policy, and by political, of course, I mean the relationships of our country with other nations. It is a part of my job to try to see policy as a whole, because there are times when economic policy would seem to be wrong from the political view point, and sometimes political actions make no sense in economics, and one must balance the one against the other and strive for the fair middle course. And it seems to me that it is the obligation of the individual citizen, in these critical times, to try to see foreign policy as a whole, and take all individual decisions in the light not of what is best for self interest, but of what best serves the welfare of our country. That is not always easy to do and yet in the last analysis it is not government that forms foreign policy; it is the public opinion of our people. And if we individually learn to make all of our decisions first in terms of what is best for our country, and only secondarily in terms of what is best for ourselves, then the sum mass total of that individual thinking will make us collectively right in the field of foreign policy.

I'd like to give you this philosophical background if I may on this subject. I put to you first the question which is constantly in my mind, what are the purposes and objectives of the foreign policy of the United States? Unless we know what it is that we are seeking to accomplish in the world, we cannot know whether if we are doing it well, we cannot determine the propriety of a particular plan or program. I'll give you my view point and ask you to take it home with you, reflect on it and form your own.

I think there are three things we seek to accomplish with our foreign policy. First, the military security of our nation. That was the obvious purpose of the Marshall Plan, which had to be established on a crash basis overnight as an aftermath of the world disaster of World War II. We were unprepared for it, psychologically, we were unprepared for it administratively. We had no great trained group of dedicated men and women who could and would leave their tasks and undertake this vast new responsibility. There were errors of administration but never for a moment have I doubted that the Marshall Plan saved Western Europe. The very announcement saved Italy and France, and today we have a Western Europe which in my judgment would be back of the Iron Curtain had it not been for the Marshall Plan. And as we sense the threat to the world that we hold dear from the other side of the Iron Curtain, let us ask ourselves what would the situation be if every nation clear to the Atlantic Ocean were a satellite. So that motive continues still, to give military security and protection to our people.

But our aims today are far broader than that. We think next of the future economic well being of our country. I need not tell this audience the urgency in the future of having the whole world for a market, a market for the produce of our land, a market for our industry. We no longer can continue this burgeoning rate of self expansion unless the whole world is our market. And for that reason we endeavor to build the economic strength of friendly nations. That too, serves security. It is important both for security and for our own future development that economic well being be more widely distributed around the world.

And then in the third place, obviously, we seek to associate around us nations that share our cultural and spiritual values. I would like to think that my grandchildren would live in a country that had for its allies the largest number of nations that share the ideals to which we are dedicated. Primarily, the preservation of the sanctity of the individual.

Now how do we achieve these objectives, which are both economic and ideological?

The first medium at hand is the expansion of trade. A rising volume of world trade serves American interest from every point of view. That seems to be so clear and so obvious that I sometimes wonder how thoughtful people can place impediments in the way of a rising volume of world trade. I think everyone that knows me knows that I hold deep convictions about the soundness of the present drive to reduce barriers to world trade and advance toward the day when the entire world may be a common market. And yet there are certain very simple laws of economics which those who strive to obstruct the development of world trade seem never to have learned, or seemed to have lost in the fog of self interest.

The first is that what goes out must equal that which comes in. There is no way that our nation can continue to export unless those exports are offset and balanced by equivalent imports of goods and services. I come from Chicago. I hear much of the development of Chicago as the great port of the future. Read our literature and you would think we're going to make a backwater out of New York harbor when the seaway is completed. And yet I

doubt if that can come to pass unless those ships that are to trade to my beloved city carry goods both ways. Strangely enough, some of my friends who are most determined to make Chicago the great port of the future are equally determined to permit no imports.

The second principle is that in a democracy you cannot benefit artificially one segment of the American people by setting aside economic law unless somebody else pays for it. In our country in this question of liberalized trade the great forgotten group is the consumers. They are the people who pay. They have no lobby in Washington. As far as I know they're represented by only one group, the women. God bless the women for representing the consumers of the United States and lifting their voices in their behalf. I could illustrate, and I hope I would give offense to no one, this principle that you cannot benefit one segment without someone paying from your own field of agriculture. There was the question of our denying imports of dairy products from Holland. Forthwith Holland denied the importation of flour milled from American wheat. The net effect of which was that the wheat farmer picked up the check for the dairy farmer. It didn't bother me. There was the question and always is the question of the importation of oats from Canada. And when that question comes up our friends across the northern border say "suppose we deny the import of citrus fruits into Canada." The net effect of that would be that the citrus farmer would pick up the check for his other friend. There is the question of the importation of fuel oil from Venezuela into the U. S. An embargo is being sought by the coal industry. Yet if we should deny Venezuela the right to ship her fuel oil into the U. S. (For the moment world events have made an anachronism of that question.) Nevertheless, those dollars which go to Venezuela come back to Delaware, New Jersey, New York and New England in the way of orders for manufactured goods, and to shut off the flow of Venezuelan oil to U. S. is a policy calling for the shutting down of factories in those four States. It takes some insight, it takes some character to rise above self interest and see that as a whole. When we are unable to take all the fish fillets that Iceland would wish to ship to us, they are taken by the Soviets. Also, we came close to losing our base in Iceland thus jeopardizing the security of our country. However, these illustrations are merely to indicate the necessity for each of us to rise above our own special interest and see policy as a whole.

Now, how is trade advanced in the world? It is advanced first of all by the cause of multilateralism. In the old days we made bilateral contracts or agreements, nation to nation. They never work because world trade is a pool, and what we sell to X country may be paid for by imports from the Y country because X and Y have a relationship direct between themselves.

Now the rules of international trade are established by the GATT. This audience knows about the GATT, but American businessmen do not. (General agreement on trade and tariff.) I don't need to explain to you its function. It makes world trade orderly by endeavoring to work gradually and selectively toward the reduction of trade barriers.

Now the new instrumentality that is required to make trade regulation by the GATT more effective is OTC. That is the agency you will hear much of in the coming Congress, I hope. You did in the last Congress. The administrative agency which is proposed would operate as the housekeeping agency to supervise the GATT. If that measure should be introduced again in the Congress I hope the American people will support it, because it is required as the watchdog over our own export trade. Some of our friends on the other side of the Atlantic have been wonderously ingenious in reducing the tariff reciprocal to our reduction of a tariff to permit ostensibly our goods to move into their areas, and yet to take that away by an internal tax that offsets it. The function of the OTC will be to guard against that.

Now the pattern of world trade today is very distorted, particularly in the new nations. Some people speak of the underdeveloped countries, because that's where the future of the world lies. Now the pattern of trade with those countries is very difficult because a new nation has nothing to export ordinarily except the fruits of her soil which, above all things, is what we want to export. It is pretty hard to trade with a fellow who is trying to sell the very thing you are trying to sell. Now our effort in those countries is directed toward diversity in the development of those economies. We need in those countries to take men from the soil, train them in light industry, and begin that diversification of the economy which will make for greater strength. Sometimes American industrialists think, "what, use our money to establish a competitor with me in some remote country of the world?" Well, the answer to that is that America's best customers for private industry are our strongest competitors. Canada is probably our best market and Canada is a good customer because Canada is economically strong. As we strengthen the economies of the developing nations we give assurance to the future for the United States.

And frankly I don't care much where that economic strength comes from. I'm not so disturbed as many people are about the Soviets spending their money to develop the backward nations, because I don't think they're ever going to be able permanently to control the backward nations. Our effort looks to the long pull. Whatever strengthens a new nation is an added guarantee that in the future our economic welfare will be served, and our cultural relations improved.

We now come to the question of aid, economic assistance as to which there is great misunderstanding in our country. I go to trade association and business meetings and hear considerable profanity about the "give away program." Profanity coming from friends of mine who will not stop and listen and will not ask the thoughtful questions they should. Now here is our present aid picture; something like  $4\frac{1}{2}$  billion dollars of a total 70 billion dollars. Out of that 70 billion of our national budget keep in mind that 35 billion is for our own defense. Did it ever strike you strange that the American people keep asking for more and more money to be spent for making war, and are less and less for waging peace? Out of this  $4\frac{1}{2}$  billion, 60% is military hardware to countries like Turkey. Of the 40% that is left, again 60% of that is for the support of the economies of countries that are required for

our military security. They are four: Turkey, Viet Nam, Taiwan and Korea and no thoughtful person aware of the facts would want to think for one moment of abandoning any one of those four to the outer bastions of American defense. How important Turkey is to us today, standing under the shadow of the Soviets, adjacent to the turbulent Middle East, next to Syria which is wavering in its loyalty to the West.

Recently I was in Turkey and was speaking -- I said what I believed. I said when the brave Turkish airman stands by his plane in Turkey he protects my home in Chicago, and that when the brave American airman stands by his plane in Greenland he protects the homes in Ankara.

That leaves only about  $\frac{1}{2}$  billion dollars out of a total of 70 billion which is devoted to the development of stronger economies among our new allies and the advancing of our ideological and cultural relationships. It is not understood usually that all economic aid has been terminated in Europe except Berlin, West Berlin, some in Spain, and a little in Yugoslavia. It is not generally understood that all economic aid as such has been terminated to Japan, and if there is any one nation in the world essential to our welfare at the moment it is Japan. For unless Japan stands on our side we lose all of Asia. And by all of Asia I mean the threat approaches Hawaii and Alaska, and yet how do we requite Japan for her standing by our side? We cut off economic aid and make it difficult for her to market her products in our country. We cut off her markets in Asia. We are asked at times to curtail exports to her such as steel scrap which is so necessary for her economy.

Now there is the picture of financial aid. I am sorry for being so long but I get a little steamed up over this. There are other things that we do for these nations. The second misunderstanding people do not evaluate properly is how difficult it is to aid young nations because of their incapacity to be aided. You can't serve a Thanksgiving dinner to a man who is being fed intravenously. These young nations have no man-power reserve. They have no people skilled in management, no people skilled in the entrepreneur concept.

I talked with a man the other day who had just come back from Indonesia, a country of 70 millions of people, and he told me that in the last year before the new nation took over they were able to graduate only about 248, I believe he said, from high schools, and only 37 from institutions of higher learning. There is no depth of experienced man-power to carry on in their own behalf in their native towns to do the reconstruction and the building and development that must be done.

There are of course, also, our loan programs and by that I mean the world bank under the distinguished leadership of Mr. Eugene Black, and the Export-Import Bank under the leadership of Mr. Sam Naught, who is so competent and so rich in experience in these problems. And now that wonderful new organization the International Finance Corporation under Mr. Robert Garner's leadership, which will be a first approach to the affording of risk capital to other nations.

And then we have the whole field of private investment. Now causing private investment to flow to developed country from the United States is lots easier said than done. As a matter of fact the capital squeeze in the United States is so intense at the moment that the average man says why should we worry, put it in our own business, why should we go over there? Then disturbances like those going on in the Middle East frighten people away from the new countries.

New countries are not psychologically attuned to the free enterprise way of life. They have no reservoir of private savings for the money is in the State. They are accustomed to the State operation of enterprises. They do not understand our desire to promote private initiative. In fact, I sometime wonder whether, if it not a fair question as to whether our programs with regard to these countries may be said to foster socialism and statism, as distinguished from private enterprise. I do think we have to recognize that these countries are in a transition period. There's not many of them yet capable of doing the job in free enterprise fashion and they must be dealt with with understanding.

Well, there my friends are some of the things that we do but I have left out of course, technical assistance, the lending of experts in these countries in your field and in other fields in order that they may have the benefit of our know how. There is one special problem in this field though, that I may speak of and then I shall close, and that is the new problem of the soviet trade penetration in the underdeveloped or developing countries. Statism, State trading and free enterprise are locked in a desperate struggle to determine which shall survive in these nations, and the American business man finds it a very difficult kind of competition to contemplate. In the first place the Russian economy has been built on industry, and has ignored somewhat agriculture. They are in a perfect position to trade with these countries because they need foods and fibers, and have a lot of industrial goods to export in exchange. Then, Mr. Mikoyan can go to another country and in 24 hours make a deal that's breathtaking in its size because he possesses the power to match that kind of trading. Of course, the weakness in it is that as they buy the goods they are buying the ideas of the new countries. Many of them are not sensitive to the loss of liberty that is involved through those associations. That's a part of our ideological job. Then, the thing I fear for American industry is that this drive of the Soviets particularly in capital goods like locomotives, trains, and what not will preempt those markets as against American industry for the future because as Mr. Mikoyan sells 20 locomotives to the X country he sends with it technicians who train the natives in the operation of that equipment. Thereafter the Soviets will get the spare part business, and the reorders and the replacements, and first you know the economy of the new country is geared to the type of equipment sold by the Soviets and not by ours. Then Mr. Mikoyan goes to Karachi let's say, and says, "what would you like most," they say a hundred mechanical engineers. He says, "done, they will be here next Tuesday at 8 o'clock." Now, how does anybody in the United States deliver 100 mechanical engineers anywhere at 8 o'clock? So that great new problem is one that we are all struggling with. It must be faced and I shall be surprised if Yankee ingenuity doesn't find the way to lick it. In fact, I haven't the slightest

hesitation in exposing the whole world to Soviet trading. If we can't trade the pants off them then we aren't the people I think we are, I beg your pardon.

Well, that gentlemen is a rundown on some of the problems that we struggle with in the field of foreign economic policy. It is an exciting subject. In fact I don't get gloomy about life at all. The headlines are bad but I think this is a wonderfully, exciting, adventurous time to be alive. I'm glad I'm here, I'm glad I am privileged to have a part in it, because I think America is on the march, and that everything is coming our way.

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